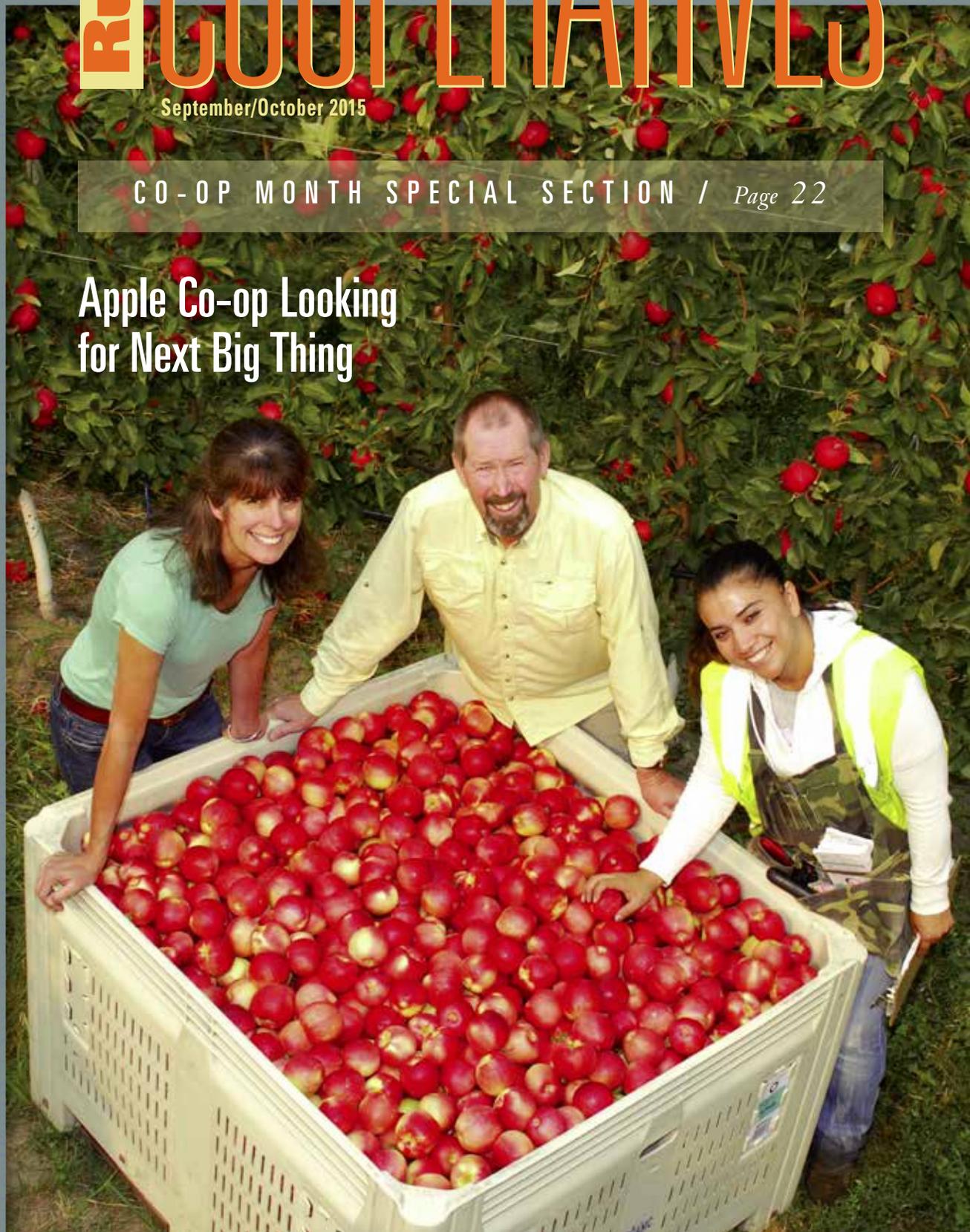


Rural COOPERATIVES

September/October 2015

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Apple Co-op Looking for Next Big Thing



United States
Department of
Agriculture

Commentary

Cooperatives: Not only a guiding principle, but also our North Star

By Roger Johnson, President
National Farmers Union

Cooperative Month is a time when all cooperatives are urged to offer some level of education to help make more people aware of the many advantages of the cooperative business model, and to renew their own commitment to adhering to the cooperative way of working together. At National Farmers Union (NFU), cooperatives are not just considered a smart business idea; they are actually a founding principle that goes right to the heart of who we are and where we came from as an organization.

Those roots go back to Point, Texas, where in 1902, farmers began organizing to find strength in numbers and a common voice in business and national policy. The

and soul of Farmers Union.

But the forefathers of Farmers Union did not stop at forming purchasing co-ops. Our members also were organizers and leaders in forming credit unions, rural electric and telephone cooperatives and many other agricultural and rural co-ops. We were committed to the value of the business of working together, promoting both viability and sustainability long before those were catch phrases. (*Editor's note: See page 8 of this magazine for an article about the 100th anniversary of South Dakota Farmers Union for a look at the huge impact the organization has had in that state.*)

Farmers Union members created marketing, supply and service cooperatives, and eventually processing and value-added cooperatives. Many farms today would not be in business if they did not belong to five or more cooperatives. Most cooperatives adhere to the seven cooperative principles,

“Agriculture has become more, not less, concentrated, and farmers still find themselves as price takers, not price makers. For this reason, cooperatives remain as important today as they were at our founding...”

organization's founders were responding to business practices that took advantage of farmers and used the concentrated power as buyers to not only treat farmers unfairly, but also to pit them against one another.

Among the first actions taken by Farmers Union was to form cooperative warehouses to store its members' cotton until market prices would improve. This concept grew, along with the organization, from the county level to the state and now the national level. The first major cooperative success stories happened in the 1920s and 1930s, when farmers were fighting both extreme drought and a huge slump in prices.

It was during this time that Farmers Union members worked together in earnest to create supply and marketing cooperatives, better known as Farmers Union oil and elevator co-ops. The co-ops and Farmers Union county and state organizations were formed hand-in-hand, sharing the same leaders and members, which remains true even today. Farmers Union members believe in and belong to cooperatives, and cooperatives continue to embody the heart

a type of mission statement that spells out how they will conduct business. One of these seven co-op principles is concern for community. Cooperatives are the cornerstones of many communities, forming the nexus of the rural economy and putting their money and efforts back into their communities.

Another ideal — or founding principle — shared by Farmers Union and cooperatives is the mutual commitment to education. Together, we dedicate resources to educational programs that allow individuals to improve their personal and professional abilities. We put effort into programs that build communities. We develop and deliver engaging educational activities to youth with the goal of creating a new generation of movers and shakers who are well versed in cooperation. And, we encourage our members to be involved in our cooperatives and our organization.

As part of that education and outreach mission, NFU holds its annual College Conference on Cooperatives

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Volume 82, Number 5
September/October 2015

Rural Cooperatives (1088-8845) is published bimonthly by USDA Rural Development, 1400 Independence Ave. SW, Stop 0705, Washington, DC. 20250-0705.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of the Department. Periodicals postage paid at Washington, DC. and additional mailing offices. Copies may be obtained from the Superintendent of Documents, Government Printing Office, Washington, DC, 20402, at \$23 per year. Postmaster: send address change to: Rural Cooperatives, USDA/RBS, Stop 3255, Wash., DC 20250-3255.

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This publication was printed with vegetable oil-based ink.



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ON THE COVER: Bill and Angell Clark farm 105 acres of SweeTango and other apples in Washington's Chelan Valley. They are members of the Next Big Thing (NBT) Cooperative, which is pursuing the premium apple variety market. With them is employee Susy Galvan (right). See article on page 16. Photo Courtesy NBT Cooperative





Alpacas, such as this, yield just one of the many types of animal fiber produced by members of the Natural Fiber Producers cooperative. The fiber is used for luxury yarns and fabrics in demand by the fashion industry.

The Missing Piece

Co-op's new processing machine will help strengthen natural fibers industry



With the domestic textile industry in decline, the 1980s was a rough period for the U.S. natural fibers

industry. It was made worse when virtually all dehairing machines in the country were purchased by European companies and shipped overseas. That added greatly to the time and expense needed to prep U.S. natural fibers for processing into the luxury yarns used in the fashion industry.

This void in the domestic market has now been filled, thanks to the purchase of a technically advanced dehairing machine from Italy by the Natural Fiber Producers (NFP) cooperative. The co-op is owned by 318 producers of all types of animal fibers, primarily alpaca, llama, and sheep. In recent years, they have broadened their horizon to include bison, yak, cashmere, angora and musk ox, among others.

The machine, made by Italian manufacturer Cormatex, was described by an industry trade journal as “one of the most powerful, sophisticated

dehairing machines available in the world today.” Occupying 500-square-foot of floor space, the machine can process from 20 to 65 pounds of fiber per hour, depending on the type of fiber.

It is one of only four such machines operating in the world, according to the co-op. “We believe there is only one other dehairing machine (a much older model) in the entire country. However, it is not generally available to most in the industry,” says co-op spokesperson Diane Johnson.

The co-op’s purchase was made possible by two Business & Industry Guaranteed Loans, worth a combined \$420,000, issued by the Rural Business Cooperative Service of USDA Rural Development.

NFP headquarters is in Homedale, Idaho, but the new machine has been installed in Springfield, Ky., in a 12,000-square-foot building owned by U.S. Natural Fibers. The machine will operate in the same building as that company’s “scouring train,” machinery that washes and cleans the fiber before it moves on for dehairing.

A grand opening and ribbon-cutting for the new machine was held Sept. 17-18 at the plant in Springfield.

Bringing industry back home

Lack of access in the United States to dehairing during the past 30-35 years has caused many luxury fiber producers, as well as U.S. textile manufacturers, to outsource their production to overseas processors, Johnson says. “Now, Natural Fiber Producers has become the provider of the missing piece of the textile puzzle in the United States.”

The first big order for the co-op’s dehairing service was placed before the machine was even in operation. The Buffalo Wool Co., Kennedale, Texas, and Buffalo Gold Premium Fibers, Goodnight, Texas, shipped over 4,000 pounds of raw buffalo fiber to the Kentucky plant, where it is being processed into soft, usable fiber.

While individual co-op producers

continue to make improvements in their animals’ fiber quality and consistency through herd management and breeding programs, Johnson says many fibers are greatly improved with dehairing, a crucial step in the production of luxury textiles.

“Having this machine in the U.S. provides that opportunity and reinforces the growth of ‘Made in America’ and ‘Buy Local’ campaigns,” says NFP President Brian Willsey. It will also mean more textile industry jobs across the United States, he adds.

“The initial plan was to house the machine at Mountain Meadow Wool in Buffalo, Wyoming,” Willsey says, noting that Mountain Meadow was instrumental in helping the co-op identify the specifications needed in a dehairing machine. But the need for an automatic feeder increased the machine’s overall length beyond the available space in the Wyoming facility.

U.S. Natural Fibers was then in the process of building its new facility in Kentucky, and it was soon identified as a “a natural fit for the two organizations,” which agreed to a collaborative effort, Willsey says.

Co-op members invested to make the downpayment for the machine, with the purchase financed through Springfield State Bank and the Kentucky Agricultural Finance Corporation, with backing by USDA.

Separating the coats

Most of the animals raised by co-op members are single or dual-coated. The outer coat is usually heavy, coarse hair that protects the animal against harsh weather conditions. The under coat is the soft, downy fiber needed for luxury fabrics. Some animal breeds — such as Angora and Mohair goats, as well as some types of sheep — produce two “crops” of fiber per year.

Dehairing separates the outer and under coats, leaving the more skin-friendly downy under coat to be “carded” for processing into yarn. In the dehairing process, the thick outer

coat and “guard hairs,” often called “waste” in the industry, Johnson notes, are collected in a waste bin. In some cases, a customer will request that this “waste” be returned for further use. The co-op also has plans to use this fiber for more industrial-type uses, still in product development.

Any fiber producer may arrange for product to be scoured and dehaired, although there is a minimum batch size of 100 pounds per color. For non-members, the fiber can then be shipped wherever the owner wishes for further processing (the co-op can make recommendations regarding appropriate textile mills).

The co-op sets stringent sorting and grading standards for members, because fiber consistency is critical to quality control in the yarns and finished goods. The co-op’s business model allows members to have their products returned to their farms or to keep their fiber in the co-op’s wholesale pool. Products in the wholesale pool are marketed to members and retailers at wholesale cost, with those profits being returned to the members. Through production of value-added products, wholesale and retail profit margins increase by \$14-\$61 per pound, Johnson says.

Hybrid fiber key to success

When the co-op started in 2006, it was primarily for alpaca producers. But to make the fiber more suitable for a broader array of fashion items, it needs to be blended with other types of fiber. “Alpaca fiber has little, or no, memory,” Johnson says, explaining that it will not hold its shape in clothing, such as sweaters, that is stretched during use. Hence, when blended with other fiber, such as sheep wool, angora or mohair, the garment will hold its shape better. Blending with silk will provide additional softness, drape and luxury.

In 2012, the co-op opened its membership to include all natural fiber producers, including, but not limited to, llama, sheep, angora, mohair, cashmere,



Clockwise from upper left: The co-op's new dehairing machine, purchased with assistance from USDA, will allow more natural fiber to be processed in the United States; a sample of yarn made from the co-op's fiber; bison are another important source of natural fiber handled by the co-op; samples of bison fiber prior to (left) and after (right) dehairing.

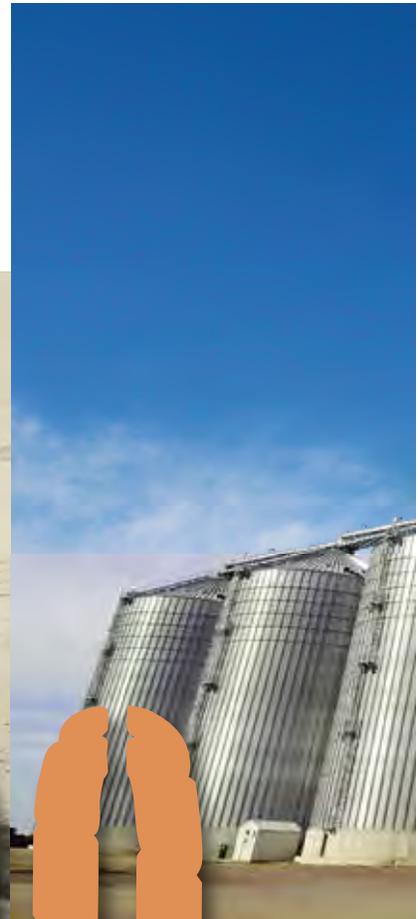
yak, buffalo and qiviut (or musk ox wool) producers.

Depending on the growth of the new commercial dehairing services in the next year, the co-op will consider the purchase of a second dehairing unit, Johnson says.

For more information about the co-op, visit: <http://naturalfiberproducers.com>. To learn more about the co-op's dehairing services, e-mail: dehair@naturalfiberproducers.com. ■



The Elevator and Beyond



S.D. Farmers Union marks **100** years
of supporting cooperatives to benefit farming and rural life

By Lura Roti

Editor's note: The author is a South Dakota-based journalist. This article is condensed and adapted from three articles that appeared in Union Farmer, the South Dakota Farmers Union membership publication. To read more about the anniversary, visit: www.SDFU.org.



Owen Jones, 77, can clearly remember the day electricity came to his family's Britton, S.D., farm. "It made a big difference when we went to milk cows, because we could turn lights on

in the barn and didn't have to worry about tipping over a lantern," says the third-generation farmer, referencing the kerosene lantern which hung on a wire that ran the length of the barn. For light, Jones, his dad and brothers would simply slide the lantern along as they did chores.

Jones was 12 years old when Lake Regional Electric Cooperative brought electricity to rural Marshall and Day counties. His dad, Arthur, was among the founding members responsible for the co-op's development. "Dad was a strong cooperative-minded person," says Jones. "Early on, he realized that if he wanted a better lifestyle in the

country, he would have to work for it and organize cooperatives."

It's no surprise that Arthur Jones was also actively involved in his local Farmers Union chapter. Cooperative development was the original mission of Farmers Union when South Dakota farmers and ranchers established the organization in 1914.

"Cooperatives are the reason the Farmers Union organization began," explains Doug Sombke, South Dakota Farmers Union (SDFU) president. "Its founders felt that they didn't have a real good market for their products, so they decided to collectively market their products," in pursuit of better prices.



Co-op elevators of today dwarf those of 100 years ago, when South Dakota Farmers Union (SDFU) began its work to strengthen the market position of family farmers. The state's utility infrastructure (below), much of it owned and operated by co-ops, has undergone a similar transformation. Photos courtesy SDFU

Gresham: driving force for NFU

That basic concept — that farmers could obtain better prices for their products if they were united — is what drove National Farmers Union (NFU) founder and first president Newt Gresham. According to historian Lynwood E. Oyos' book, "The Family Farmers' Advocate," Gresham "constantly reiterated that family farmers needed a voice and an organization to fight for their rights and survival."

Gresham and the organization's 10 founding members established the Farmer's Educational and Cooperative Union of America near Point, Texas, in 1902. According to Oyos' account, by 1914 the message was carried to South Dakota by J.K. Weinmaster, a Farmers Union member from Nebraska. The first farmer he visited to discuss Farmers Union was Knute Strand, who farmed about eight miles southwest of Mitchell, S.D.

Strand loaned his buggy to Weinmaster to spread the co-op message to his neighbors. On Feb. 6, 1914, Strand was among the state's 17 charter members.

The message of "together we can accomplish what we can't alone" resonated with farmers across the state. Within two years, the state had the 5,000 dues-paying members required to receive a state charter from the national organization.

Less than a decade after receiving the state charter, Farmers Union grain, livestock, insurance, wholesale and retail marketing cooperatives were serving their member/owners in several South Dakota counties. By the 1930s, Farmers Union oil, cream buying stations and credit union cooperatives were also established in rural townships and communities across the state.

"Co-ops have played an important role in our state's progress," says Sombke, a fourth-generation farmer from Conde, S.D. "When companies



“Cooperatives are the reason the Farmers Union organization began,” says Doug Sombke (foreground, third from left), president of the South Dakota Farmers Union (SDFU). With him are sons and fellow farmers (from left) Byran, Bryce and Brett. Photo courtesy SDFU.

didn't want to invest in the infrastructure necessary to bring electricity, telephone service, fuel and agriculture inputs to the countryside, our state's farmers and ranchers banded together to form member-owned cooperatives.”

Spurring healthy competition

Along with providing needed services, cooperatives created marketing competition in the face of monopolies run by off-farm interests. According to Oyos' book, by the 1880s, South Dakota's grain producers were at the mercy of “an unfair price structure determined by milling magnates and commodity firms in the Twin Cities and Chicago.”

This issue also extended to livestock producers, who faced their own set of corporate competitors, explains Jim

Woster, a retired stockyards buyer who today advocates for a number of South Dakota agricultural organizations.

“I started working for Farmers Union Livestock the morning after I graduated from South Dakota State University in 1962,” Woster says. “In those days, most livestock farmers didn't sell that many cattle. When they did sell, they were not in the position to compete with corporations. Farmers Union Livestock played a valuable role in getting those producers a fair price.”

The competition cooperatives bring to the marketplace, whether for purchasing inputs or for marketing grain, remains important today, explains Dave Andresen, CEO of Full Circle Ag, a full-service agriculture cooperative that serves ag producers in 12 counties in northeast South Dakota and southeast North Dakota.

“In the last few years, we've seen a lot of money come into production agriculture from outside interests — Wall Street, Silicon Valley and international players like China and Japan. If you do business with an international corporation, the profits leave the country,” Andresen explains. “When you do business with your local cooperative, the money stays in the community and profits are returned to the farmer/owners.”

Andresen appreciates the role Farmers Union continues to play in supporting cooperatives through youth education and lobbying state and national government. “Only 1.7 percent of the people serving [in Congress] in D.C. have any ties to agriculture; yet they are setting our farm policy,” he says. “If it had not been for Farmers Union and other farm organizations

stepping up and lobbying Congress during the recent rail crisis, I don't think we would have seen any resolution."

Co-ops: a rural lifeline

For some, the term "cooperative" may evoke images of towering grain elevators. However, for most South Dakotans, cooperatives serve as a lifeline to technology, capital, products and services which extend beyond the local grain elevator and have allowed rural communities, farmers, ranchers and businesses to grow and thrive.

Sombke and his family belong to a number of co-ops, including: a telecommunications co-op, an electric co-op, a fuel and energy co-op, two agriculture grain and agronomy co-ops, a banking co-op and a rural water co-op.

"Those of us living in rural South Dakota benefit from the cooperatives our forefathers founded when private companies decided it would not pay to invest in the rural infrastructure," Sombke says.

Because cooperatives operate under a nonprofit business model, they return profits locally. When investor-owned firms enter the picture, cooperatives also help keep prices in check, says Scott Parsley, assistant general manager at East River Electric Power Cooperative and District 8 South Dakota state legislator.

"We serve as a yardstick for pricing. Because we are member owned and the rates are set by the board of directors, those who pay the rates are setting the rates," Parsley explains. "As cooperatives, we aren't satisfying some investor who may live in another state or country; it is our job to work for the people who own us."

Delivering exceptional service is the goal of co-ops, says Bill Troske, a semi-retired cow/calf and crop farmer from Turton, S.D., who has served on the board of directors for James Valley Telecommunications. "Service is the name of the game. When members call

Education essential to future of co-ops

Each year, more than 3,000 South Dakota youth attend Farmers Union-sponsored education programs, including district and state camps where they learn about how cooperatives work and the value they bring to their local communities.

Ensuring that co-ops are included in college curriculums is also important to Farmers Union. Lake Area Technical Institute and South Dakota State University are among post-secondary programs across the state which offer classes focused on the cooperative business model.

"We feel it is important to expose this business model to young people," says Barry Dunn, South Dakota Corn Utilization Council Endowed Dean of the SDSU College of Agriculture & Biological Sciences, and SDSU Extension director. "It is a great model — to stand on our own and to be responsible for our own community, today and in the future."

Farm and utility co-op members also benefit from co-op education.

"Many cooperative members are so far removed from the days before electricity and telephone services, that they tend to take cooperatives for granted," says Jeff Nelson, retired general manager of East River Electric Power Cooperative. "This is where rural advocacy organizations, like Farmers Union, play a valuable role as they look at ways to sustain and bring in the next generation of cooperative members."

For many next-generation producers, co-op education begins on the farm. SDFU President Doug Sombke says his cooperative business philosophy and loyalty was inherited from his father and grandfather. The latter was a founding member of the Farmers Union Oil Co. of Ferney, and both men served on the co-op's board of directors.

Today, Sombke encourages his three grown sons, who farm with him, to remain actively involved in co-ops. "I hope I've instilled the same level of respect for cooperatives in my sons. This can be challenging, because they are so far removed from the challenges we faced before cooperatives came to rural South Dakota.

"Even though I served on our co-op board for more than 20 years and attended numerous annual meetings of all the cooperatives we are members of, I could have done a better job of emphasizing the importance of being actively involved in our co-ops to my sons," Sombke says. "We recognize this as a trend, so, during Farmers Union leadership camp, teens actually establish and run cooperatives. This hands-on participation helps develop future generations of active cooperative membership."

Bottom line, he says: "You can't beat the cooperative model."

in, they don't get a recorded voice; they get a real person."

Exceptional service led the 60-year-old cooperative to begin providing cell phone service. "Our members wanted it, but the larger companies were not providing service to this part of South Dakota," Troske says.

80,000 S. Dakotans can't be wrong

David Kayser raises corn, soybeans and cattle with his sons near Alexandria, S.D. He has been a member of the local agriculture cooperative his grandfather, Art Jarding, helped found. He

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Focus On: Staplcotn

Greenwood, Miss.



Question: *What is Staplcotn's primary mission, and who comprises your membership?*

The mission of Staplcotn is to enhance its members' incomes by providing cost-effective marketing and warehousing of cotton in a manner that fosters members' trust and confidence in the cooperative. So, our charge is pretty straightforward: create value for our members and conduct our business in such a way that it reflects well on our owners.

Staplcotn is a 100-percent producer-owned company. We presently handle more than 13,000 farm accounts in 11 states: Mississippi, Louisiana, Arkansas, Missouri, Tennessee, Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia. Total membership in the Association, consisting exclusively of growers and share-rent landlords, is 7,570 marketing and warehousing members.

■ ***Please provide a "thumbnail history" of the co-op.***

Staple Cotton Cooperative Association (now known as Staplcotn) was formed in 1921 by Mississippi planter Oscar Bledsoe and a group of other Mississippi Delta cotton

producers to provide area farmers a more lucrative way of marketing their crops. It is the oldest cotton marketing cooperative in the United States. This relatively new concept for agricultural cooperative marketing was prompted when Bledsoe was traveling by train to Memphis, Tenn. He was seated behind cotton buyers who were boasting about the profits they were making off of Mississippi cotton producers. He was one of those producers.

After much time, consideration, research, organization and expense, Bledsoe and 10 others created a cooperative marketing plan and underwrote it with \$1,000 each. By 1921, the campaign for membership closed with 1,800 signatures and the articles of incorporation were filed in Nashville, Tenn. Mississippi law did not allow growers to form a cooperative selling organization at that time. Today, Staplcotn, based in Greenwood, Miss., has over 7,500 members and markets between 2 and 3 million bales annually.

■ ***What new or innovative services are you offering that differentiate your co-op in the marketplace?***

In most respects, the company is similar to other

The bountiful crop harvested by its members will fill this complex of co-op cotton warehouses (below), near Greenwood, Miss. Photos courtesy Staplcotn



cooperatives in that our focus is the member. However, some cooperatives are more involved in the production process of the goods they market, or they provide a lot of auxiliary services to their members. While we, of course, focus on

of our marketing and warehousing divisions. While they are separate profit centers and different memberships, the two divisions are aligned closely to achieve maximum efficiency and profitability. The textile mills that purchase and receive

“One advantage that our cooperative has is the integration of our marketing and warehousing divisions.”

member service — in terms of making it easy to do business with the cooperative — we are intently focused on marketing and storing cotton.

From a marketing perspective, we develop and maintain a global customer base for our product, provide an excellent price-risk management platform for our membership and make sound risk-management hedging decisions to maximize the price we can return to the members for their cotton. Our warehousing division seeks to minimize the members’ cost of storage while, at the same time, providing excellent service to our marketing division and other cotton shippers.

One advantage that our cooperative has is the integration

of these two divisions helps make us better cotton suppliers and, therefore, we have great access to the global textile industry.

■ *What are your primary cotton markets?*

We sell cotton in more than 20 countries each year. The U.S. textile industry is still our largest market, but we rely heavily on sales to the broader export market to help balance our customer book. China, Turkey and Mexico are three of the larger markets for us, year in and year out. Vietnam is a market that is showing significant growth and promise as well.

■ *How much do fashion trends impact your business, and what are the advantages of cotton fiber vs. synthetic fiber?*

Fashion trends and innovation in fiber and fabric definitely impact cotton consumption and therefore our business. Undoubtedly, cotton is the best fiber out there in terms of softness, absorbency and breathability. Plus, it is natural and renewable! But synthetic fibers are occupying more rack space these days due to their low and stable price and some product innovation. Polyester, the most common man-made fiber, still has issues like pilling, clinginess and odor retention, but clearly today's polyester does not have the same stigmas it did a decade ago.

Today's fashion trend is generally moving toward lighter fabrics, performance textiles and "stretchy materials." We've seen textile mills move to finer count yarns and more fabric blends, which means less cotton per square foot of fabric. Fortunately, we are breeding cotton varieties that are producing better fiber qualities, particularly in terms of length, allowing us to meet the trend's demand.

■ *Who, or what, is your primary competition? Is foreign competition increasing?*

Man-made fibers are the biggest competition. There has been a lot of investment and innovation in man-made fibers over the past decade. There is a huge capacity of man-made

ultimately supply it. All things being equal, the U.S. has many comparative advantages when it comes to growing cotton competitively. For starters, we have great farmers and a lot of excellent soil suitable for cotton production.

■ *The cotton market has been depressed the past several years. Has this been a supply vs. demand situation, or are other factors at play? Do you see any light ahead?*

The depressed prices we are witnessing in cotton are basically supply and demand driven. However, the supply and demand situation we find ourselves in has its roots in the wild price increase of 2010 and 2011, and in governmental policy. The short-term tripling of cotton prices in 2010 and 2011 incentivized retailers to include more man-made fiber in their offerings. So, cotton consumption shrunk globally in response.

With the price run-up, acreage increased at exactly the time we were losing demand. After the decrease in consumption and increase in production, the market was not able to fully correct itself because in China, the epicenter of global textile production, cotton prices were kept artificially high by its purchasing all of the excess production. Man-made fiber production, cotton production and world cotton trade all had an impact.

Essentially, Chinese policy encouraged cotton production

“...Bledsoe was seated behind cotton buyers who were boasting about the profits they were making off of Mississippi cotton producers. He was one of those producers.”

fiber production that seems to be ever growing. That capacity keeps prices low and stable.

Within the world of cotton, U.S. cotton is generally much sought after. U.S. cotton is appreciated world-wide for its quality and lack of contamination by foreign fibers and other matter within the bales. We have a firm belief that if we can get people to buy more cotton, U.S. cotton will get its share.

Foreign cotton production is actually coming down a bit in response to lower prices and changing farm policies, particularly in China. However, Indian and Pakistani yields are on the rise, and they have strong domestic textile industries.

Cotton will always be needed by the world, but those that can yield the most with the least inputs will be the ones who

with high prices, thereby discouraging cotton consumption vs. man-made fiber consumption. From 2010 to 2014, Chinese ending stocks rose from 10.6 million bales to 65.6 million bales. Most of those bales were simply put into the Chinese government's inventory.

China has made some modifications to its producer-support programs which are leading to less Chinese cotton production. But man-made fiber prices in China are still much lower than the price of cotton in China. Therefore, we are not getting as much cotton consumption back as we would like. Further Chinese policy modifications are still needed, and the global cotton industry must collaborate and innovate in order to gain back fiber market share. There is



Tennessee cotton farmers (from left) Michael Roane, Richard Kelley and Brad Williams are among the thousands of grower-members in 11 states who own the Staplcotn Cooperative. Photo courtesy Staplcotn

some light at the end of the tunnel, but it will take a while to get there.

■ ***Why does a co-op business make good sense for a cotton farmer?***

Contrary to how some might view it, I believe being a member of a cooperative is very entrepreneurial. It allows the producer to enter the supply chain past the farm gate. In our case, for example, the producer members own the merchandising firm and participate in the benefits of selling to the end user, vs. going through a middleman.

From a price-risk management standpoint, it is a very economical way to get professional hedging expertise. And it allows the producer to spend more time making good farming decisions and increasing yield. With the markets, the producers do not have much control over the outcome, but with production they have a lot more influence.

■ ***How do you market your co-op to gain more members?***

We do a small amount of advertising, mainly to promote our brand name and to emphasize our core values of trustworthiness and excellent performance. You might say our marketing strategy to members is pretty old-fashioned in that we prefer to have personal interactions with our members and potential members. Our network of field representatives visits producers to explain the details of our payouts and how our program works.

Honesty, integrity, trust, fairness and professionalism are the qualities on which our reputation is based, and any promotion of the cooperative that we do seeks to maintain

that reputation. In the end, we know that the marketplace is competitive and we have to pay a fair price to maintain and grow our membership.

■ ***What is your outlook for the crop this year?***

Cotton prices, like other row crops, are hovering below the cost of production for many producers. All the row crops are in over-supply situations. However, the U.S. supply and demand situation is not expected to be nearly as over supplied as the global situation. The U.S. crop size influences global cotton prices because the U.S. leads the world in cotton exports and the futures market is domiciled in the U.S. Cotton production in the U.S. should be down from last year, but to what extent, we don't know.

Another question will be our ability to export as much cotton as in previous

years, as China and Turkey are likely to import less cotton this year. They are the largest two U.S. customers and may buy less than in previous years. Barring any major surprises, futures prices in the 60-70 cent per lb. range are likely. At that price level, producers in the U.S. and globally will find it difficult to earn a good profit unless they have a bumper crop.

■ ***What new technology — be it in farming, processing or marketing — is impacting the cotton industry?***

Seed genetics, module-building cotton harvesters and a lot of various farm technologies are all having positive impacts on cotton. There are so many it is impossible to name them all. Seed genetics are helping our members produce better lint and yields. They have considerably increased cotton's drought tolerance, which makes cotton a preferred crop to plant for many non-irrigated producers.

Larger and faster equipment is helping producers maximize prime planting and harvesting windows by getting in and out of the field when conditions are optimal. It is very important for cotton to be harvested under the right conditions to preserve fiber quality and to remove as much cotton off the stalk as possible. The new harvesters that build modules of seed cotton that are ready to haul to the gin on board have reduced the amount of extra labor and specialty equipment needed to harvest cotton. Many producers find it difficult to find the very short-term seasonal labor needed for cotton harvesting that is not needed for their other crops' harvest. ■



Building a Better Apple

Co-op pursues premium market niche by producing, marketing new varieties

By Julia Stewart

Editor's note: Stewart is a 20-year veteran of U.S. apple and produce trade associations and is married to Minnesota apple grower Dennis Courtier. She splits her time between Washington, D.C., and Minnesota. This article is provided courtesy Next Big Thing, A Growers' Cooperative.



Tom Rasch, Jr., remembers all too well the dark days the U.S. apple industry experienced in the

1990s. So when the opportunity arose in the 2000s to try growing and marketing apples a different way, he bit the fruit.

The Greenville, Mich., grower came of age working beside his parents, Tom Sr. and Judy Rasch, on their 160 acres of orchards. He took over the operation bearing their family name — Tom Rasch & Son Orchards LLC — in the mid-1980s. An industry innovator, Rasch was one of the first growers in the state to adopt high-density orchard technology, in which smaller trees are trained to trellis systems, increasing their fruit volume and quality. By the 1990s, however, a number of

market forces had combined to drive apple prices down through the floor. Apples had become commodities at retail, and a flood of apple juice concentrate from China effectively ended the market for U.S. juice apples. Further, a hangover lingered from the devastating 1989 Alar crisis, which had caused sales to drop precipitously amid consumer concerns over the safety of the fruit. Farm-gate prices that decade averaged only 20.8 cents a pound for fresh-market apples. In contrast, in 2012 the average price was 45.3 cents per pound.

“We barely survived,” Rasch reflects. “Then, the founders of Next Big Thing sought me out to be a member of their group of elite growers.”

Rasch is one of 44 apple growers who are members of “Next Big Thing, A Growers' Cooperative” (NBT). Its members hail from across the United States and Canada. Their ranks include both small and large producers.

Market 'turned on its head'

NBT was the brainchild of Minnesota apple grower Dennis Courtier, owner of Pepin Heights Orchards Inc. While Minnesota is a small player in the U.S. apple industry,

ranked 20 out of 29 commercially producing states in 2014, Courtier is well known in the industry for new variety innovation. He was one of the first commercial producers to grow and market Honeycrisp apples in the 1990s. Honeycrisp — a “fruit phenomenon” produced by the University of Minnesota's (UMN) apple-breeding program — has turned the apple category on its head. By 2014, it had rocketed to become the No. 6 apple variety in the United States, based on production. Honeycrisp's success spurred a flurry of new variety introductions, and the apple category began to lose its “commodity” image.

Like Rasch, Courtier had suffered through the early 1990s. Honeycrisp saved his orchards, but soon it was being grown in geography it wasn't suited to, and, arguably, being overgrown. The university had released it as an “open variety” — meaning that after paying a small royalty to a variety's developer, any grower can buy Honeycrisp trees and sell the fruit as they wish.

If apple growers were to be financially healthy in the long term, Courtier felt that apple production and marketing would have to change



Apple varieties have evolved to be treated as intellectual property, and interested parties “pay to play.” Here, SweeTango variety apples ripen in the orchard of a Next Big Thing (NBT) Cooperative member’s orchard. All photos courtesy NBT

significantly. And so NBT was born. Courtier served as its first chairman; Pepin Heights’ then-marketing chief Tim Byrne was its first president.

Setting the standard

Today, the co-op searches out and tests promising new apple varieties from around the world. When group members decide they’ve found a worthy variety, NBT buys the rights for its grower-members to produce and market it. The co-op then sets production and packing standards so that only the best quality fruit is shipped to market. It also invests to create a consumer market for the brand, including outreach to retailers and consumers using traditional and new media. It engages consumers on social media — a new approach for a single apple variety.

“We have to please consumers. When they get [our apples] in their hands, they have to taste good,” says Rasch. “New varieties with good flavor and good characteristics... are here to stay.”

Like Courtier and Rasch, fourth-generation farmer and first-generation apple grower, Bill Clark and his wife, Angell, also knew that something would

have to change for small apple growers, such as themselves, if they wanted to stay in the business. Indeed, they felt the situation was even more critical for small growers than for larger growers.

The Clarks grow apples in Washington's Chelan Valley. Washington is the giant of the U.S. apple industry, producing nearly 60

and that rolls down to our sustainability."

Let your taste buds dance

The first apple variety NBT has taken to market is SweeTango®, another UMN product. Unlike the "open release" Honeycrisp, UMN debuted SweeTango as a licensed

NBT once the co-op was up and running, and the variety had proven its worth.

NBT growers think SweeTango tastes even better than its famous "mom," Honeycrisp, and "dad," UMN's Zestar variety. All of NBT's members grow Minneiska apple trees. Minneiska fruit that meets NBT standards is sold



"The commodity model doesn't work for a small grower. We have to do something different, or something better, because we can't do it cheaper."

percent of the country's entire apple crop in 2013. The Clarks are small fish in the state's very large apple pond, farming 105 acres of both conventional and organic apples.

The Clarks watched the decline of the Red Delicious (Reds) variety from a front-row seat. Chelan was historically known for producing prime-quality Reds. Then the variety was "bred to grow red" in parts of the state that weren't good "terroir" (or growing territory) for it. That fruit didn't taste as good or store as well.

The variety's popularity with consumers fell far and fast.

Washington's Red Delicious production fell by 27 percent from 1999 to 2012. In 2015, Red Delicious is forecast to no longer be the most-grown variety grown in the state. Over the years, the Clarks' Red Delicious and Golden Delicious trees have gradually given way to Honeycrisp and other varieties.

"As consumers ourselves, we know that if we consumers don't get a good apple, we don't come back for a while," says Bill Clark. "NBT is managing who grows an apple, where it grows, what the eating experience is. That's paramount to the variety's sustainability,

variety, a model being adopted by numerous apple breeders. Apple varieties have evolved to be treated as intellectual property, and interested parties pay to play.

by co-op-member marketers under the brand name SweeTango.

As of the 2015 apple harvest, about 800,000 Minneiska trees are in the ground nationwide. Most are



In the 1990s, a number of market forces combined to severely drive down apple prices. "We barely survived," says Tom Rasch Jr. (third from left). With him are sons (from left) Devin, Eric and Kyle.

Pepin Heights competed for, and won, the North American license for Minneiska trees and their SweeTango fruit. The license was transferred to

conventionally grown, while a small percentage are organic. (It is very difficult to grow apples organically east of the Mississippi River because of the



"Marketing is huge," says Angell Clark, seen here with husband Bill. NBT's marketing plans gave the Clarks confidence in the co-op's overall strategy.

amount of moisture received.)

While production ramps up to goals, SweeTango apples are available for a limited time only each fall. Pent-up demand for the variety each fall serves to cement its premium branding. Strategically, NBT doesn't intend for SweeTango to ever become a year-round apple, so as not to risk its "commoditization."

Designing a business for the future

As a premium variety, SweeTango fetches higher grower and retail prices than commodity varieties. During the 2014 apple season, SweeTango garnered four times more per carton than the "commodity variety" Red Delicious.

What made Rasch decide to join NBT? "I liked the idea of a managed

variety. From production, to storage, to packing all the way through sales, everything was going to be managed," he said. "It made sense that if we weren't overproducing something, we should be able to get a better price." To ice the cake, "The fruit was exceptional — the best apple I ever ate," he says. "The quality of the apple, the growers I was associating with and the marketing that we were going to be buying into all looked to be promising."

The Clarks were attracted to NBT because "the commodity model doesn't work for a small grower," says Bill Clark. "We have to do something different, or something better, because we can't do cheaper."

"And then we heard the name!" adds Angell. That's when they knew they'd made the right decision to join the co-op. "By coming up with a great name... [we knew] that the folks making the decisions were aligned with what we believed is important," says Bill.

"Marketing is huge; it gave us a lot of confidence that [the co-op was] putting so much into marketing," Angell notes.

The money that NBT spends on marketing, production research and administration means that its growers might not make as much as they could on a box of fruit. But NBT's growers also understand that the co-op's strategy of production and quality controls should mean that the prices they receive will remain higher than they would in an unmanaged setting.

"We've seen Honeycrisp turn into a free for all," says Angell Clark. "As growers, we all want the stability and longevity that lead to sustainability," adds husband Bill. "That happens by having brand standards."

The winding road to success

Its members and leaders note that it hasn't all been wine and roses at NBT. "There have been challenges at every step, concerns and issues all along the way," Rasch notes. "But as a group of accomplished growers working together, we've been able to overcome

most of these.”

David Cudmore concurs with Rasch. Cudmore is president and CEO of Scotian Gold Co-operative Ltd. in Nova Scotia, Canada, and chairs NBT’s board of directors. The 103-year-old Scotian Gold co-op has 55 grower-members who farm 2,500 acres of apples, producing just under 900,000 bushels per year.

When Courtier pitched the idea of NBT to Cudmore, “I was quite skeptical,” he recalls. “I’ve been in co-ops since the 1980s; I think they are not really understood in the apple industry. Apple co-ops have had a mixed record of success — many work, but not all of them.”

Cudmore says there are two primary challenges to overcome in bringing together disparate industry leaders. First, NBT’s members “can be competitors in the other parts of their [business] lives. To bring them together, to work together and trust each other, has been a huge challenge,” he says.

different than the issues [they] face as growers.”

Fully launched in 2006, NBT today has 44 grower-members. The price of entry was \$10,000 per production unit; a unit equals 10,000 packed boxes of fruit. A nine-member board governs NBT, with three directors from each of the co-op’s three geographic districts — East, Central and West. (The Canadian production, in Quebec and Nova Scotia, is included in the East region.)

The board meets in person twice a year on average, and by phone as needed, usually about once every month or two. The full membership gathers for an annual meeting, with the most recent one in Nova Scotia in early 2015.

The co-op has one full-time employee, President Theron Kibbe, whose background is in cooperatives. The logo and brand statement were developed by an award-winning firm that specializes in brand development. The co-op outsources marketing to a nationally known agency. Expert

Finance/Audit Committee. The co-op also funds research into production issues, retail marketing, advertising, public relations and social media activities.

“The kind of people who are in this organization aren’t waiting for someone else to come up with the ideas,” says Bill Clark.

NBT paid out its first patronage refund to members in 2014; another payment is planned this year.

“I think NBT has been very successful,” Cudmore says. “To bring this group together to work collectively on one project...to be recognized as a structure that can work to introduce other apples in North America, those are real successes.”

What’s next?

With SweeTango launched and its strategy progressing on schedule, NBT members are turning their attention to identifying the co-op’s next act. They recently decided to purchase the U.S. and Canadian license to a line of apple varieties members found in a breeding program of an international group of apple marketers; details are being kept on the “down low” for now.

What’s the prognosis for Next Big Thing, A Growers’ Cooperative? “I don’t think we’ve seen anything yet. This is a very successful business model to launch other varieties,” Cudmore concludes.

“I’m a real believer. We just jumped on the opportunity to buy more [SweeTango] lots, we feel it has an exciting future,” adds Bill Clark. “I would hope that this apple and the co-op can go far enough into the future that our two children can benefit from it. It means sustainability and success for us as a family, and as a farm business.”

“I believe that SweeTango is going to be the most profitable apple on this farm by far. SweeTango is here to stay... until the next big thing comes along, anyway,” winks Rasch. ■

NBT/SweeTango fact file

- Co-op founded in 2006
- 44 growers across three U.S. regions and two Canadian provinces
- First variety introduced: SweeTango®, developed by University of Minnesota
- Taste notes: Crisp and sweet, with a “lively touch of citrus, honey and spice”
- Available early September until gone (usually in December)
- Available in a variety of retail outlets, coast to coast
- Website: www.sweetango.com
- Social media: Twitter: @SweeTango; Facebook: [Facebook.com/SweeTango](https://www.facebook.com/SweeTango); Instagram: [sweetango_apple](https://www.instagram.com/sweetango_apple); Pinterest: [Pinterest.com/sweetangoapples](https://www.pinterest.com/sweetangoapples)
- SweeTango® is a registered trademark of Regents of the University of Minnesota



Further, “they are used to working in their companies’ best interests. It can be a challenge to put their individual interests aside to work for the good of an entire organization,” says Cudmore. “They have to take their grower hats off and put their co-op hats on; and the issues facing the co-op can be very

consultants research and advise on technical issues related to production and storage.

Engaged NBT members invest their time in the co-op’s three committees: the Best Practices Committee, which addresses production and storage issues; the Marketing Committee, and the

UNITED STATES DEPARTMENT OF AGRICULTURE

Office of the Secretary
Washington, D.C. 20250



NATIONAL COOPERATIVE MONTH
October 2015

By the Secretary of Agriculture of the United States of America

A PROCLAMATION

WHEREAS producer- and user-owned cooperatives are essential to the U.S. economy and to rural America, delivering supplies to farmers and ranchers and helping them market their products, supplying telecommunications and energy to rural communities, and providing financial and other important services; and

WHEREAS cooperatives unite their member-owners, thus improving their bargaining power, increasing their marketing clout, and reducing costs based on volume purchasing of production supplies while adding value through pooled product marketing; and

WHEREAS cooperatives fill market voids by providing high-quality services and products that otherwise may be unavailable; and

WHEREAS member-owners manage their cooperatives through democratic governance processes, serving as a voice for their members on legislative issues and enhancing the viability of their communities by generating jobs and paying taxes;

NOW, THEREFORE, in recognition of the vital role that cooperatives play in improving economic opportunity and the quality of life in rural America, I, Thomas J. Vilsack, Secretary of the United States Department of Agriculture, do hereby proclaim October 2015 as National Cooperative Month. I encourage all Americans to learn more about cooperatives and to celebrate cooperatives' accomplishments with appropriate ceremonies and activities.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of September 2015, the two-hundred fortieth year of the Independence of the United States of America.

THOMAS J. VILSACK
Secretary

CO-OP MONTH SPECIAL SECTION

Taking Ownership, With Co-ops

If there's a will, there's a way. As the articles in this year's Cooperative Month special section attest, that way is often a co-op way for producers and other rural residents seeking solutions to a common need. Co-ops are businesses that allow their members to "take ownership." Cooperatives are helping Montana poultry growers to pursue a new processing facility, Latino farmers in Minnesota to progress from farmworkers to farm owners, and homecare workers in Washington state to obtain a living wage and benefits that will enable them to continue to perform their crucial work. On the following pages, you can read about these and many other examples of co-ops being launched or assisted by the nation's network of cooperative development centers.

Certified Organic, Certified Co-op

Ohio farmers join forces in GRO to grow their market reach

By Kimberly Roush and Hannah Scott

Editor's note: Roush is program assistant and Scott is program manager with the Ohio Cooperative Development Center.

Great River Organics Inc. is a farmer-owned cooperative of seven certified-organic farms in central and north-central Ohio. The co-op is working to "grow regional farm businesses, preserve Ohio farmland and provide a larger scale, local alternative to organic produce from outside Ohio."

Great River Organics (GRO) officially became a cooperative in December 2014, with support from the Ohio Cooperative Development Center (OCDC) at the Ohio State University



These tomatoes — inspected by GRO board member Michael Jones and General Manager Charlotte Graham — will be distributed through the co-op's weekly CSA (community supported agriculture) deliveries.

South Centers. OCDC's mission is to improve the economic condition of rural areas of Ohio and West Virginia through cooperative development.

Funds from a "mini-grant" program offered by OCDC allowed GRO to hire the services of an attorney and an accountant, as well as to develop and print marketing materials, all of which are helping to lay the foundation for the co-op's success. In addition, GRO is a participant in the Ohio and West Virginia Food Hub Network, facilitated by OCDC, which provides education and networking opportunities to support the development of food hubs in the region.

GRO aggregates, markets and distributes farmer-owners' organic

produce. In early August, the tables stretching through the middle of the co-op's warehouse in Columbus, Ohio, were filled with tomatoes in various shades of red, purple and green. There were also bell peppers, leafy greens and a myriad of other vegetables. A group of employees and volunteers was filling bags for the Great River Market Bag, a community-supported agriculture (CSA) program that includes about 300 members throughout central Ohio.

Co-op's unified vision

The other major component of the cooperative is the development of a wholesale business focused on making GRO farmer-owners' produce widely available to consumers.

"The cooperative business model...incorporates the unified cooperative's vision of making local, certified organic food a normal fixture in people's lives while helping farmers sustainably grow their operations," says GRO board member Michael Jones. "To accomplish this, in part, the growers feel strongly about seeing their organic products readily available in places where people most frequently shop: grocery stores. To create a sustainable income, our cooperative members seek the opportunity to sell cases, or acres, of food."

GRO has been working to build relationships with area partners to offer larger volumes of organic produce. At the same time, the farmers of GRO have been working together to develop quality standards to both ensure high-quality products for their CSA and to allow them to provide retail partners with certified-organic products that meet and exceed industry specifications.

Co-op model ensures grower control

Jones and Charlotte Graham, recently hired as GRO's general manager, make it clear that the cooperative model is integral to GRO's identity. The business was originally started as a limited liability company

(LLC), but its farmers eventually realized that member-ownership would best meet their ultimate goal, which, in Jones' words is "to bring prosperity to the farmers."

The business was originally started as an LLC, but its farmers eventually realized that member-ownership (a co-op) would best meet their ultimate goal: "to bring prosperity to the farmers."

"I think what is so great about the co-op is that it enables growers to have more control over the way they do business in the marketplace by being

part of this cooperative, having the collective marketing power," says Graham. Another benefit of the co-op is that its farmers can rely on the staff of GRO for these vital marketing and distribution services, leaving them with the time needed to concentrate on their own efforts to grow quality organic produce.

While it may be young, GRO is already thinking about the future. The cooperative plans to grow the wholesale portion of the business, allowing current farmer-owners to expand production while adding new certified-organic farmer-owners throughout Ohio.

For more information about Great River Organics Inc., visit: www.greatriverfarms.org, e-mail Graham at: info@greatriverorganics.org or call: 614-929-5525.

A Pathway to Ownership

LEDC provides Latino farmer co-op with means to acquire land

By Jaime Villalaz

E-mail: Jaime@ledc-mn.org

Editor's note: Villalaz is a business development specialist with the Latino Economic Development Center in Minneapolis.

In November 2011, staff from the Latino Economic Development Center (LEDC) in Minneapolis, Minn., met with nearly 30 of residents of Long Prairie, Minn., who were interested in the creation of a farming cooperative as a way to promote economic development. After several meetings throughout that winter, the cooperative became a legal entity in April of 2012. The eight original members each contributed \$250 to start the Agua Gorda Cooperative (which means "Fat



Co-op members apply plastic mulch covering to help protect beds of newly planted vegetables.

Water" Cooperative, in Spanish). The co-op's founding members had farmed for most of their lives, but they



Members of the Agua Gorda Cooperative are growing organic produce for the Minneapolis market.

had various levels of farming skill and knowledge. After leaving their native Mexico, they harvested grapes, peaches, strawberries and other produce in California as migrant workers before settling in Long Prairie to work in year-around positions on dairy farms or meat packing plants.

In most cases, it is very difficult for Latino small farmers to obtain land ownership as individuals; but access to land as a co-op is an option that Agua Gorda has shown is possible.

Operating their own co-op was a new experience for the members. Therefore, the first step in ensuring the group's success was to train them in cooperative organization and management. Learning about management came next, and the basic elements of raising organic produce in

the Minnesota climate followed. This required that LEDC, as a sponsoring organization, hire an experienced organic Latino farmer to provide training.

With a \$5,400 loan guaranteed by LEDC, and the trainer's and members' strong desire to succeed, they took the next step, searching for land to farm. Lyle Danielson, Long Prairie's Economic Development Director, offered assistance by leasing the co-op six, 40x40 foot plots in the city's community garden. It was their beginning.

Early success spurs growth

Agua Gorda's first year of operation was a modest success. With the sale of nearly \$7,000 worth of crops, cooperative members were able to pay back their loan. Nearly 50 percent of Agua Gorda's earnings were from sales to local residents.

After the first year of operation, the co-op sought to expand production, which meant that additional land was needed. Conversations with the Long Prairie City Council led to securing

three acres of land, with access to water, at the city's industrial park.

Their early success led to an optimistic plan for 2013. Co-op members planted 18,000 vegetable plants in early May. While sales grew to \$18,500 that year, the cooperative only sold half of its produce.

In 2014, Agua Gorda Cooperative expanded operations to 5.5 acres. It also bought a tractor and other farm equipment. Sales climbed to \$42,000 that year. Much of the sales resulted from working with Shared Ground marketing cooperative and being awarded a contract to grow for La Loma Tamales — a Minneapolis restaurant, food wholesaler and catering business. Under this contract, the co-op



Co-op members develop a game plan for the day's work.

would supply 30,000 pounds of tomatillos (a staple of Mexican cuisine) and 3,000 pounds of Serrano peppers.

Agua Gorda became a founding member of Shared Ground Farmers' Cooperative in Minneapolis, which sold its members' produce through a community supported agriculture (CSA) program and to upscale restaurants.

Big steps in 2015

This year, Agua Gorda has again expanded its acreage and production. It is now a certified organic producer and has received Good Agriculture Practice (GAP) certification on its 5.5-acre plot. In addition, the cooperative has leased an adjacent 54-acre property with an

option to purchase the land.

LEDC trains beginning farmers

LEDC has developed a beginner farming model for Latinos wishing to farm. Called “Farm Incubator Cooperatives,” the goal of the effort is to create a pathway for low-wage farmworkers to become farm owners.

The Agua Gorda Cooperative is the first LEDC client to make this transition. Five other Latino cooperatives have been organized in Minnesota and Wisconsin, which are following the Agua Gorda example.

LEDC’s loan program incorporates micro-farming loans which include working capital and equipment loans.

Access to land and farming skills are the biggest barriers for Latinos to enter into farming. LEDC’s assessment is that, in most cases, it is very difficult for Latino small farmers to become owners of land as individuals; but access to land as a cooperative is an option that the Agua Gorda Cooperative has shown is possible.

Learning From Each Other

UW Center roundtable encourages peer learning among co-op directors

By Courtney Berner

Cooperative Development Specialist
UW Center for Cooperatives

As the business world grows increasingly complex, an effective board is critical for a cooperative’s success. In August, the University of Wisconsin Center for Cooperatives (UWCC) tested a new format for delivering information on “best practices” for board leadership. It involved an interactive roundtable that facilitated learning among the directors of a diverse range of cooperatives.

The event targeted directors from cooperatives of all sectors and sizes from across Wisconsin. Topics included the role of the board chair and other leadership positions, ways to facilitate effective meetings and developing strategies for good decision-making

“It was great to hear how cooperatives that are very different from ours met their challenges.”

processes. Other topics included ways to develop a more efficient board, how to conduct a CEO performance review and leadership succession planning.

The roundtable brought together cooperative board leaders from a range of sectors and industries, including agriculture, grocery, transportation, food processing, farm supply and energy. Participants included a number of well-established, successful worker-, producer- and consumer-owned cooperatives. These included Organic Valley, Adams-Columbia Electric Cooperative, Willy Street Grocery Cooperative, Landmark Services Cooperative and Union Cab Cooperative, among others.

Cross-sector learning

Even though many of the directors from these cooperatives boast years of experience serving on boards, they found value in exchanging ideas with directors from different co-op types and sectors.

“To me, the value of this event for our directors is gaining exposure and understanding from other cooperative directors that the challenges we face have been, and continue to be, faced by other cooperatives,” said a member of an agricultural marketing cooperative. “Our own particular size (global level



The Yahara River Grocery Cooperative (YRGC) implemented a new governance system in 2014. It was just one of the many co-ops that participated in idea-sharing roundtables sponsored by the University of Wisconsin Center for Cooperatives. Photo courtesy YRGC

now) is pushing us into a new realm of challenges.”

While the primary goal of the roundtable was to encourage peer learning between cooperative leaders, it became apparent that the roundtable format also provided an excellent opportunity to deliver cost-effective education and support to newly launched cooperatives that have received technical assistance from UWCC. We hoped that mixing directors from start-ups with established co-ops would increase idea and skill sharing between the two groups and strengthen cross-sectoral connections within Wisconsin’s co-op community.

New co-ops well represented

In addition to established cooperatives, the event attracted a number of UWCC’s start-up and “co-op conversion” clients, including:

- Big Water Coffee Cooperative, which

UWCC helped convert to a worker cooperative in 2015;

- Yahara River Grocery Cooperative, which implemented a new policy governance system in 2014;
- Allied Community Cooperative, which is working to open a grocery store in an underserved neighborhood in Madison;
- Fifth Season Cooperative, a multi-stakeholder, local food cooperative launched in 2011;
- Hop Exchange, a marketing co-op for hop growers, and
- A Milwaukee-based start-up brewery cooperative in its early planning stages, among others.

As we had hoped, the relatively new co-op directors found value in hearing how more established cooperatives approach governance and board leadership issues.

“It was fascinating to hear from diverse sector perspectives,” a food co-op director said. “It was great to hear

how cooperatives that are very different from ours met their challenges.”

Members of fledgling cooperatives also found inspiration in their exchanges with established cooperatives. “I want to let you know that I have a renewed commitment because of the roundtable discussions,” a member of a new community owned co-op said. “I learned that a cooperative can grow and operate to become an effective element for its members.”

Based on feedback from roundtable participants, the UWCC plans to host two additional roundtables in the coming year. The roundtables will continue to include co-ops of all types, sizes and sectors. However, future gatherings will include breakout sessions for established and start-up cooperatives while still providing shared meals and networking time to encourage the two groups to share key learning and strengthen cross-sectoral relationships.

Changing the Game

Montana Poultry Growers Co-op seeks to take flight with new processing facility

By Laura Ginsburg

Program Manager for Cooperative Development, Lake County Community Development Corporation, Ronan, Mont.

The Montana Poultry Growers Cooperative, now in its ninth year of operation, is pursuing some game-changing actions — including construction of a new processing plant that will cater to small producers — which it believes will propel the state’s poultry production to new highs.

The statewide producers’ co-op was one of the first businesses to develop an inspected, mobile processing facility for

chickens. But the results have been mixed for the mobile unit.

This mobile processing unit traveled all across “Big Sky Country,” and was a huge benefit to some members. But the trailer itself did not fare well after the wear and tear of many thousands of miles traversed on our state’s many dirt roads.

The low volume of birds processed, combined with the long distances traveled and the fact that it did not meet most members’ needs, ultimately meant that the unit was not economically viable.

The co-op tried an alternate strategy

that involved placing several smaller processing units at locations across the state. But these units no longer could offer food-safety inspection, preventing sale of the birds to the public. So while this strategy has allowed farmers to continue to process birds for their own use, it has not created a viable option for those seeking to sell them.

Bulk feed purchasing

The co-op has explored other ways to make poultry production more profitable. One effort has involved having the cooperative make bulk feed purchases from a certified organic feed



Having had only limited success with mobile processing, members of the Montana Poultry Growers Cooperative are now partnering with others to pursue a new poultry processing plant.

mill. By purchasing together, members gain sizable discounts while also saving on delivery charges.

Feed orders are delivered to the Lake County Community Development Corporation in Ronan, where members have access to a forklift to load bulk bags and pallets onto their vehicles.

The co-op also offers classes through the National Center for Appropriate Technology (NCAT) on pastured poultry production, business planning and poultry slaughtering.

Joint effort to build plant

An exciting new project involves a partnership between the co-op and two other businesses seeking to build a new

poultry processing plant.

One of the partners, Homestead Organics Farm, in Hamilton, Mont., has raised heritage-breed turkeys and chickens for many years. To expand production and processed-bird sales, Homestead has been exploring the possibility of building a state-inspected processing facility.

Another partner is Living River Farm, a neighbor of Homestead Organics, which has been working to attain the goal of raising at least 7,000 birds annually. It was quick to offer its support for a new processing plant.

With help from the Poultry Growers Co-op and many farmers across the region, Homestead Organics sought

funding for a new facility. It raised a large portion of the needed funds through a campaign on Kickstarter (an online fund-raising website), received a grant through Montana's Department of Agriculture, and is currently seeking the balance required through non-traditional finance.

"Montana small farmers and poultry hobbyists now have zero options for regulatory compliance [for processed birds]," Laura Garber, co-owner of Homestead Organics, said during the appeal for funds on Kickstarter. "There are no state-licensed poultry processing facilities, except for those located on the Hutterite colonies. Montana needs a small-scale poultry processing facility." The new plant, when built, she said, will be "ready and able to meet the demand!"

Under the current arrangement, Homestead Organics will own the processing facility and much of the equipment. The Poultry Growers Co-op will be the managing entity and will own a portion of the equipment. The co-owner of Living River Farm, Beau McLean, will oversee day-to-day operations and be a primary user.

The facility will include an inspected processing area, a packaging room and educational space. Groundbreaking occurred Aug. 2, and once completed (anticipated by spring 2016), it will be the only inspected poultry processing plant available for rent in Montana, opening doors and new markets for poultry producers.

Lake County Community Development Corporation's (LCCDC) Cooperative Development Center has provided technical assistance to the project and is committed to its success. The center will be compiling a case study as construction continues and after the doors open.

LCCDC has been a cooperative development center for 15 years, servicing western Montana and partnering across the Pacific Northwest. For more information about the center, visit: www.lakecountycdc.org.

Maine Farm and Sea Co-op

Multi-stakeholder co-op's goal: revolutionize Maine's food system

By Brian Van Slyke
Communications
Cooperative Development Institute

Support for local foods has become a phenomenon across the country. Although enthusiasm for this movement and its institutions has grown, small farmers, food producers and fisherman still face extraordinary hurdles in bringing their food to the market. This is especially true when it comes to feeding major community institutions, such as universities and hospitals.

Individual farmers rarely have ready access to the institutional food market due to lack of relationships with key buyers. Corporate policy generally

doesn't support local purchasing, and there is a lack of adequate infrastructure to meet the demands of larger markets. Further, multinational corporations wield a great deal of control over the market. Farmworkers, food preparers and cafeteria workers often have only seasonal employment opportunities.

Many local food projects, while important, do not necessarily have a large-scale impact on a region's food system.

Co-op aims to make waves

With these issues in mind, Cooperative Development Institute (CDI) staff member Jonah Fertig began exploring the idea of building a multi-

sector, multi-stakeholder food and farm cooperative that could revolutionize Maine's food system. CDI, which helps develop and provide technical assistance to cooperatives throughout New England and New York, has been involved in starting multi-stakeholder food cooperatives before, including the New Hampshire Community Seafood Cooperative, Eat Local Eastport and the County Co-op and Farm Store.

The difference here lies in the size and the scope of this project.

Earlier in 2015, CDI began facilitating the creation of Maine Farm and Sea Cooperative (<http://www.maine-farmandsea.coop>). The cooperative brings together farmers, distributors,



The Maine Farm and Sea Co-op (MFSC) is pursuing the state's institutional food market as the primary buyer for its members' crops, meats and seafood. Photos courtesy MFSC

food service workers, chefs and consumers with the aim of providing local food to local Maine institutions — such as universities and hospitals. CDI is leading the project through all of its phases, ensuring that the deliverables of a project of this size are met while training members as well as the board of directors to take the reins.

Building from success of other initiatives

Maine Farm and Sea Cooperative will serve local mainstay institutions throughout the state. These are known as “anchors” — major institutions (such as schools, universities, city governments and hospitals) that have considerable purchasing power and that are deeply rooted in the community, meaning they are unlikely to pack up and leave or go out of business.

The multi-sector cooperative will provide food management services to these institutions, initially focusing on the Maine university system. By doing so, the cooperative will be able to

The co-op is being coordinated and energized by those who have been in the field and the region for many years and who will be bringing their insight and passion to the table.

fundamentally change the lives of workers, consumers and producers while simultaneously building a local food system rooted in democratic ownership and economic equity.

“With increasing demand for locally grown food by consumers and students alike, we felt the time was right to bring local foods to an institutional level,” says Ron Adams, former director of Portland Schools Food Programs and board member of the cooperative. “While our immediate goal is securing



One of the co-op’s core business principles is to “manage food service at affordable prices for Maine universities, businesses, hospitals and other institutions.”

the University of Maine System food service management contract, our larger goal is to provide locally produced food and food services to a number of institutions. As a locally owned business, we will re-invest our profits in Maine by creating new management positions, paying workers a fair wage and investing in rural economies.”

This concept of local food procurement for major institutions is not without precedent. The University of Massachusetts-Amherst has altered its purchasing practices to support local farmers. The university is locally sourcing 13 percent of the food served to 17,000 students — 45,000 meals a day. In Maine, the Portland Public Schools intends to purchase 50 percent of its food locally by 2016.

A step further

Maine Farm and Sea Cooperative will be taking such efforts a step further by being owned and governed by the people it impacts: its multi-stakeholder membership. This includes many low- and median-income Maine farmers,

fishermen, distributors, food producers, food service professionals, students, faculty and ordinary Maine residents. The membership classes are: Producers (Maine farmers, fishermen, distributors, food producers); Workers (food service workers); and Consumers (students, faculty, and Maine residents).

The multi-stakeholder cooperative concept is fairly new in the United States, and even where they exist they are typically only made up of two membership classes. That’s one of the things that makes Maine Farm and Sea Cooperative so bold: it aims to have a regional impact while being owned and governed by all of those it is impacting and serving. It is an individual cooperative while also an entire cooperative system.

There are three tenets of the cooperative’s mission that help define its unique position. They combine the needs and best interests of the membership across the different sectors. These three principles are:

- To supply and serve the highest possible percentage of locally produced Maine fruit, produce, meats, seafood and value-added foods;
- To manage food service at affordable prices for Maine universities, businesses, hospitals, and other institutions where food is served; and
- To earn a fair profit while creating jobs for Mainers, helping rebuild a resilient Maine food system, and protecting our environment.

CDI — which is building on the success of others — is documenting its work to help replicate such co-ops in other states.

Starting by aiming high

“Traditionally, the barrier to making locally grown food available on the institutional level has been the logistics,” says Michael Hillard, economics professor at University of Southern Maine and supporter of the cooperative. “The Maine Farm and Sea Cooperative presents a promising model by bringing together expertise at

all stages of delivering healthy, local and sustainable food to Maine's major institutions, including school systems and the University."

The co-op is pursuing a five-year contract for food service at campuses within the University of Maine system, and in the future it will seek contracts with other institutions statewide. Food service is a highly complex, capital intensive business — especially on such a large scale. So CDI and the co-op are working diligently to gather a team with a proven track record and decades of front-line experience in food production, local foods organizing, cooperative organizing, farming, business development and institutional food service. The co-op is being coordinated and energized by those

who have been in the field and the region for many years and who will be bringing their insight and passion to the table.

The cooperative will supply a range of products and service, including local, sustainably produced food; talented, experienced food service staff, chefs and managers; an up-to-date kitchen and service equipment, tools and supplies. It also plans to cater services for events at universities and off-site.

Marada Cook, president of Crown O'Maine Organic Cooperative and a board member of the Maine Farm and Sea Cooperative, believes strongly in the potential impact of the cooperative. "In addition to providing locally sourced food on an institutional level, Maine Farm and Sea Cooperative will

provide farmers and fishermen with consistent demand for their products at predictable and fair prices, enhancing Maine's rural economies and creating jobs," she says.

Through these efforts, Maine Farm and Sea Cooperative hopes to transform institutional food purchasing, expand local ownership in institutional food service, facilitate the procurement and supply of local foods from farmers and fishermen for anchor institutions and local residents, expand worker ownership, and build community wealth. This can be done because we're working together to build a food system by the people of Maine, for the people of Maine.

Kentucky Groundbreakers

Co-op farmers now grow sweet potatoes in fields formerly planted with tobacco

By Kara Keeton

Editor's note: Keeton is a Kentucky-based journalist. This article is provided courtesy KCARD.

The LaRue County, Ky., farmers who formed Kentucky Groundbreakers Inc., a marketing cooperative, have replaced their old cash crop, tobacco, with a new one: sweet potatoes.

"We knew that once we started raising the crop, we would have a lot more power to market if we came together [in a co-op]," explains Travis Cleaver, a farmer-member of Kentucky Groundbreakers. "We had heard about KCARD [Kentucky Center for Agriculture and Rural Development] services, and turned to them to help establish the cooperative. They have just been phenomenal. They helped us



plan, explained how a co-op works, helped us look at the potential markets for sweet potatoes and really held our hand through the whole process."

It was in late 2013 when the farmers began looking at the possibility of raising sweet potatoes as a cash crop. Cleaver was working with specialists at Kentucky State University to conduct small-scale vegetable production field trials when he saw the potential of growing sweet potatoes here.

"I was looking for a cash crop that my father and some of the older members of the group could easily grow," Cleaver recalls. "I knew they wouldn't want to be out every day picking green beans to take to market, but they could go out and drive the tractor and pick up sweet potatoes at harvest."

Further, sweet potatoes need

relatively few inputs, compared to many other crops, he notes. “I saw a potential market for the product, as more restaurants are offering them on the menu.”

Another selling point for sweet potatoes, in the eyes of the former tobacco farmers, was the ability to use equipment they already had on their farms for growing tobacco. The ability to utilize tobacco setters, sprayers and other equipment meant that the farmers would not have to invest heavily in equipment to begin their sweet potato operations.

“We have been able to use most of our equipment that we used in the tobacco field,” says Cleaver. “Our only big purchase as a cooperative has been the potato digger. We wanted to make sure to have good harvesting equipment.”

Industry connections critical for success

Along with helping the farmers with the cooperative development process, Cleaver says KCARD played a significant role in helping members of the co-op connect with individuals in the industry as they developed their organization. KCARD helped connect the group with the Kentucky Horticulture Council and with University of Kentucky Extension agents and specialists who have provided guidance for the project. Even more importantly, they have helped the farmers connect with other producers who are raising sweet potatoes.

“KCARD put us in touch with a group of farmers in eastern Kentucky who diversified their operations by adding sweet potatoes to their production,” says Cleaver. “Many of the farmers were also former tobacco farmers. They have given us suggestions and guidance on everything from the production side to the marketing side for the product.”

Kentucky Groundbreakers produced its first crop in the summer of 2014, with each of the five members of the

“Our goals for that first year were to get experience producing the crop and marketing the sweet potatoes as a group.”



Co-op members William Curle and Travis Cleaver survey a plot that will be planted with sweet potatoes. Much of the land being farmed by the co-op formerly produced tobacco. Photos by Kristi Breckenridge, courtesy Kentucky Groundbreakers.

cooperative planting only one-fourth of an acre.

“We wanted to start small last year, as we were still building the cooperative and identifying the markets for the potatoes,” says Cleaver. “Our goals for that first year were to get experience producing the crop and marketing the sweet potatoes as a group.”

Though they were not an official cooperative last year, the group of five farmers came together and marketed their crop together working with a new company, Proud Processing and Distribution, based in Bardstown, Ky.

Working together

While the members all kept some sweet potatoes to sell at farmer markets, the majority were sold through Proud Processing. “Marketing our crop together with Blake Roby [of Proud Processing] was a good experience, so we felt that moving forward with establishing the cooperative was right for our group,” says Cleaver.

Inclement weather put a damper on plans to expand acreage in 2015. “This year we were all hoping to put out larger crops, but weather conditions were a challenge,” Cleaver explains. “A few of us were able to put out a half an acre, and the rest did at least one-fourth acre again.”

In August 2015, the farmers finalized all the required paperwork and registered Kentucky Groundbreakers Inc. as a cooperative with the Kentucky Secretary of State. The founding members of the cooperative include: Daniell Price, William Curle, Kenneth Cleaver, Travis Cleaver and Scott Curle, all of LaRue County. All the co-op members say they will again market their crops through the co-op this fall.

“One of the strengths of this group is their approach,” says Brent Lackey, KCARD business development specialist. “They have been focused on building a strong foundation for a sustainable cooperative by focusing on growing a quality crop as they learn about production efficiencies, develop markets and establish the business.

They have shown a commitment to work together to develop an additional revenue stream for everyone in the co-op and other small-scale farmers in the area, not just themselves.”

“As we grow, I would like to get to a point where we can store, grade and process our own sweet potatoes, bringing more marketing opportunities for our product,” says Cleaver. “Of course, getting to that point will take some time, so I am looking forward to a long working relationship with the team at KCARD as we continue to grow our cooperative.”

Powering California's backcountry

Electric co-op investing in membership and renewables to keep the lights shining

By Gwenaël Engelskirchen

Editor's note: Engelskirchen is a cooperative development associate with the California Center for Cooperative Development.

Amidst fir trees and pines, ranchland and the peaks of the Sierra Nevada range, sits California's scenic Sierra County. Located west of Reno, Nev., Sierra County's population of just over 3,200 makes it the next-to-lowest populated county in the nation's most populous state. With its sparse population density, serving the county would not be a high priority for most profit-driven utility companies. But it is a priority for a member-owned co-op.

Even the tri-county region of Sierra, Plumas and Lassen counties in northeastern California has a combined population of just under 55,000 (less than 0.1 percent of California's population of almost 39 million people). This three-county region exemplifies the type of geography that America's rural electrification program — launched during the presidency of Franklin D. Roosevelt — was developed to serve, linking low-population rural communities to the power grid.

The Plumas-Sierra Rural Electric Co-op (PSREC) was formed in 1937, part of a wave of more than 1,000 other locally owned electric cooperatives started in rural areas all across the United States during the late 1930s. PSREC started with an initial membership of just 643.

Gene Rowland, an early customer who is quoted on PSREC's website, describes what the start of the co-op



Dealing with the challenges of heavily forested and mountainous terrain is routine for utility co-op crews, such as this one, in California's "deeply rural" Sierra County.

meant to the community: "One of the greatest things was that the women had freezers and refrigerators for the preservation of food. Rural electrification was the turning point in many people's lives. We went from backwoods to modern living."

Committed to 'deeply rural' areas

Today, PSREC serves more than 6,500 member-owners, and the importance of the co-op in Sierra, Plumas and Lassen counties still strongly coincides with the original objectives of FDR's rural electrification program. Within these deeply rural counties, the cities and largest towns are served by investor-owned and municipal

utilities. Without the co-op, however, the most rural customers would likely not be served.

"The co-op membership represents just over 10 percent of the population of those three counties," notes Jessica Nelson, manager for Golden State Power Cooperative — a statewide trade association for three California-based electrical distribution co-ops — and the former manager of member services at PSREC. "And that [number] reflects the people living in the most remote, least accessible areas. If PSREC were a profit-driven company, as opposed to a nonprofit, it would not be positioned to serve the needs of our most rural communities in the same way."

Drawing from its long history of providing access to electricity, Plumas-Sierra Rural Electric Cooperative is now reaching into the future, continuing to respond to its members' needs. This includes meeting the demand for more renewable and affordable sources of energy, which it is pursuing through its geothermal and solar energy programs.

Co-op a geothermal pioneer

PSREC was a pioneer in developing one of the first successful geothermal heat pump programs in California. According to the California Geothermal Heat Pump Association: "A geothermal heat pump is a central heating or cooling system that pumps heat to, or from, the ground. It uses the earth as a heat source (in the winter) or a heat sink (in the summer)."

These ground-source heat pumps significantly reduce the use of fossil fuels, such as coal or natural gas, for

heating. One of the biggest challenges for expanding geothermal power was the cost of system installation.

PSREC became part of an innovative solution to this cost challenge in 1993, when it launched a lease program. Under this “geothermal loop lease” program, PSREC paid the upfront cost of installing and maintaining a geothermal system while its member-owners had the opportunity to lease back the use of the system from the co-op. The program has been highly popular with the co-op’s members and has resulted in PSREC having one of the nation’s highest rates of geothermal installation.

“Since many of the GeoExchange installations are in vacation homes, customers are able to leave their heating on all winter,” according to a co-op report. This reduces the odds of frozen pipes and for the need to “winterize” a summer home. “Since geothermal heat pumps are so cost-effective, the customer’s heating bills remain relatively low even though they are operating throughout the winter months.”

In one subdivision, 60 percent of the new homes built installed geothermal systems. According to PSREC General

“The Sierra Nevada is a tough place to run an electric utility... we groom our system, practice proper forestry techniques and build... to keep the lights on in a tough winter.”

Manager Bob Marshall, the co-op has to date installed 450 such systems.

Investing in community solar

PSREC is also investing in solar projects and is currently assessing bids to build a 100-kilowatt community solar farm. A community solar farm would allow customers who are unable to install solar panels on their homes to nonetheless “go solar.” This approach also maintains affordable energy for member-customers across the system. By consolidating the solar arrays, the “energy farm” allows for increased efficiencies, due to the economy of scale and easier maintenance.

“Although there are many providers of solar power, we believe that cooperatively developed programs will fulfill the need for both security and reliability at more affordable costs,”

says co-op General Manager Bob Marshall. Additionally, PSREC participates in a solar rebate program that offers incentives for installing solar systems on individual homes and buildings.

Both of these renewable energy sources have helped PSREC weather the recent California drought, which has increased demand for energy while reducing the amount of power produced by hydroelectric sources (due to low water flow). In addition, the drought has killed many trees, some of which have fallen on power-lines during storms, resulting in higher costs for tree removal – both in repair and preventative situations.

“One of the major advantages of being a member of a cooperative,” Marshall says, “is that you aren’t subject to the whims of a for-profit utility deciding whether or not maintenance in your area is a priority. The Sierra Nevada is a tough place to run an electric utility; we make sure we groom our system, practice proper forestry techniques and build redundant power lines to the Nevada grid to keep the lights on in a tough winter...and we manage to do it at competitive rates.”

Filling the Gap

Bay City Co-op Market hopes to provide healthy food, boost local economy

By Chris Bardenhagen
Cooperative Development Assistant
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The Bay City Cooperative Market was recently incorporated as a Michigan co-op that is working to open a natural foods grocery store. The goals are to provide healthy food at a fair price, to promote local and regional food production, and to retain capital and

jobs in the community. Further, the co-op hopes to create an equitable, rewarding workplace for its staff while providing a boost to an economically struggling neighborhood.

The fledgling co-op plans to launch a feasibility study and marketing campaign this fall. The Michigan Cooperative Development Center (part of the Michigan State University Product Center) has provided funds to

cover attorneys’ fees associated with the incorporation of the cooperative and is helping to guide the group through the business development process.

High-poverty area to be served

Bay City is a small city surrounded by farms. With a population of 34,932, it qualifies as “rural” for some government programs. The city serves as a commercial and cultural center for

the surrounding rural areas, including the northern section of Michigan's "Thumb" region.

It is hoped that the food co-op will serve both the residents of the city and the surrounding area. Plans also include hosting a local farmer's market. Further potential is seen for the co-op to serve as a food hub that would connect farmers with buyers in other parts of the state.

The group faces some serious challenges. Bay City has a high poverty rate of 22.4 percent. While the downtown area has many viable businesses, it is undergoing redevelopment.

Residents of subsidized housing complexes and other downtown residents do not currently have a grocery within walking distance. Co-op leaders are dedicated to finding a downtown location for the store to meet the needs of the underserved residents.

Strong community support

Community support is very strong for the food co-op project, both because of its potential to provide healthy food and for its economic development aspects. The mayor's office, city planning office and the Bay Community Foundation have all expressed support for the co-op.

Co-op organizers held a community

meeting in March at a local library to present the business concept to the public. The meeting was "standing room only," with more than 125 people in attendance. Local farmers, city officials and the press were among those attending.

The co-op organizing board has used local news media, social media — including Facebook — and word of mouth to spark interest and support for the co-op. Organizers conducted a web-based survey, which more than 900 area residents responded to, expressing overwhelmingly positive support for the co-op.

Next steps, challenges

The group is working to secure



Co-op board members take a walking tour of some possible sites for the new grocery co-op they plan to launch in Bay City, Mich.

funding for a marketing study, a financial feasibility study and a formal business plan. It is currently engaged in working out the details of a campaign to raise capital.

A major challenge is setting the price for a voting-membership share. This involves finding a balance between the need to raise a significant amount of capital with the need to set a membership share price at a level that will attract the necessary number of members. A large member base will help establish the co-op's creditability with lenders and other sources of capital.

Many food co-ops charge between \$150 and \$300 for a family membership share. But many of these groceries have the advantage of being located in a university town or other community with a higher socio-economic level.

New challenges will arise as the project evolves. Starting a natural food grocery usually takes a minimum of two to three years, according to the Food Co-op Initiative, a clearinghouse for information and an important resource for food co-op start-ups.

The Bay City Cooperative Market's board knows that success requires patient commitment while working methodically toward the goal of opening a store that will be a viable business.

Bridging the Digital Divide

Resident-owned communities benefit when members are proficient with new technology

By John McNamara
Cooperative Development Specialist
Northwest Cooperative Development Center

Manufactured home communities

play an important role in meeting the need for affordable housing in the Northwest and across the nation. Through cooperative action, many people now have the opportunity to create resident-owned communities

(ROCs), securing the land beneath their homes for perpetuity.

Once a cooperative completes such a purchase, residents have responsibilities to govern and manage their communities. The Northwest

Cooperative Development Center (NWCDC), a ROC USA® certified technical assistance provider (CTAP), is charged with providing guidance to community leaders as they carry out these duties. A major challenge is maintaining good communications among co-op members and helping them balance their work/life needs.

Though much is accomplished with face-to-face meetings, it is becoming increasingly important to supplement communications with Internet technologies.

Efforts by the Federal Communications Commission (FCC), USDA, the White House and many utility co-ops have sought for years to bridge the rural/urban “digital divide,” and much progress has been made in connecting rural residents to broadband and “next-generation” Internet. But a digital divide still exists between rural and urban communities.

Promoting technology literacy

Another gap exists for many co-op resident-owners regarding their ability to understand and use new computer-based technology. Resident-owned communities often have limited ability to bridge this divide, whether caused by a lack of hardware or software, or the ability to use it — or for all of these reasons. NWCDC, in partnership with ROC USA, is seeking to close this gap by bringing the benefits of modern information technology to the communities in its network.

Daniel Luis Arrañaga, a CTAP for NWCDC, is leading an effort to address the communications challenges facing residents by developing educational programs that help people master new technology. To accomplish this, ROCs are testing standardized curriculum and software systems designed to help co-op members develop increased technology self-sufficiency. The curriculum should also help CTAPs better manage a growing portfolio of clients. Communities in the Washington towns of Moses Lake and

“A resident-owned community is more than just a homeowners’ association; it is a business that requires constant attention, maintenance, oversight and nurturing.”



Doug Winscot and Lacy Hopper celebrate the creation of the Elmwood Homeowners Cooperative. Below, a young resident of the Ponderosa Homeowners Cooperative was among those celebrating the conversion of their community to a resident-owned co-op. Photo by Mike Bullard, courtesy ROC USA



Puyallup are serving as a pilot project intended to create a nationally replicable model.

There are broad aspirations for the initiative. Arrañaga notes that “a resident-owned community is more than just a homeowners’ association; it is a business that requires constant attention, maintenance, oversight and nurturing.” Goals are to promote residents’ computer fluency and more efficient and productive time allocation

for CTAPs, he notes. Another goal is to help build leadership in communities.

By helping communities improve their ability to communicate through modern technology, the ROCs can build a more sustainable community model.

Many resident-owners of ROCs have never had — nor necessarily needed — access to information technology (IT). For some people — often retired individuals — the Internet was not a part of their work or social life. For others, their work or budget didn’t present the need for IT skills.

To overcome this challenge, NWCDC has partnered with students from The Evergreen State College (TESC) in Olympia to create a curriculum to teach adults basic skills in e-mail, on-line editing and typing. Arrañaga began using Google Docs, a free software word processing application, to work with community members.

“The great thing is that I can get on the document with board members who are 250 miles away and train them on how to make an agenda without making an eight hour round-trip drive,” says Arrañaga.

The goal of this initiative is to give resident-owners a greater sense of ownership by using IT to research solutions to community problems, find needed vendors and to create an archive of organizational documents that all members can access and share. It will reduce the need for CTAPs to provide some of these services, opening more time to work with new clients and providing for more efficient use of funds needed to develop new ROCs.

In addition to interns from TESC, staff from across the ROC USA community are providing peer review. “The use of information technology is vital to running any business in this day and age,” says Arrañaga, “which is why this [initiative] takes aim at bridging the digital divide.”

Preparing for a 'Silver Tsunami'

New rural elder care co-op aims to help seniors stay in homes longer

By Deborah Craig

Editor's note: Craig is a cooperative development specialist with Northwest Cooperative Development Center.

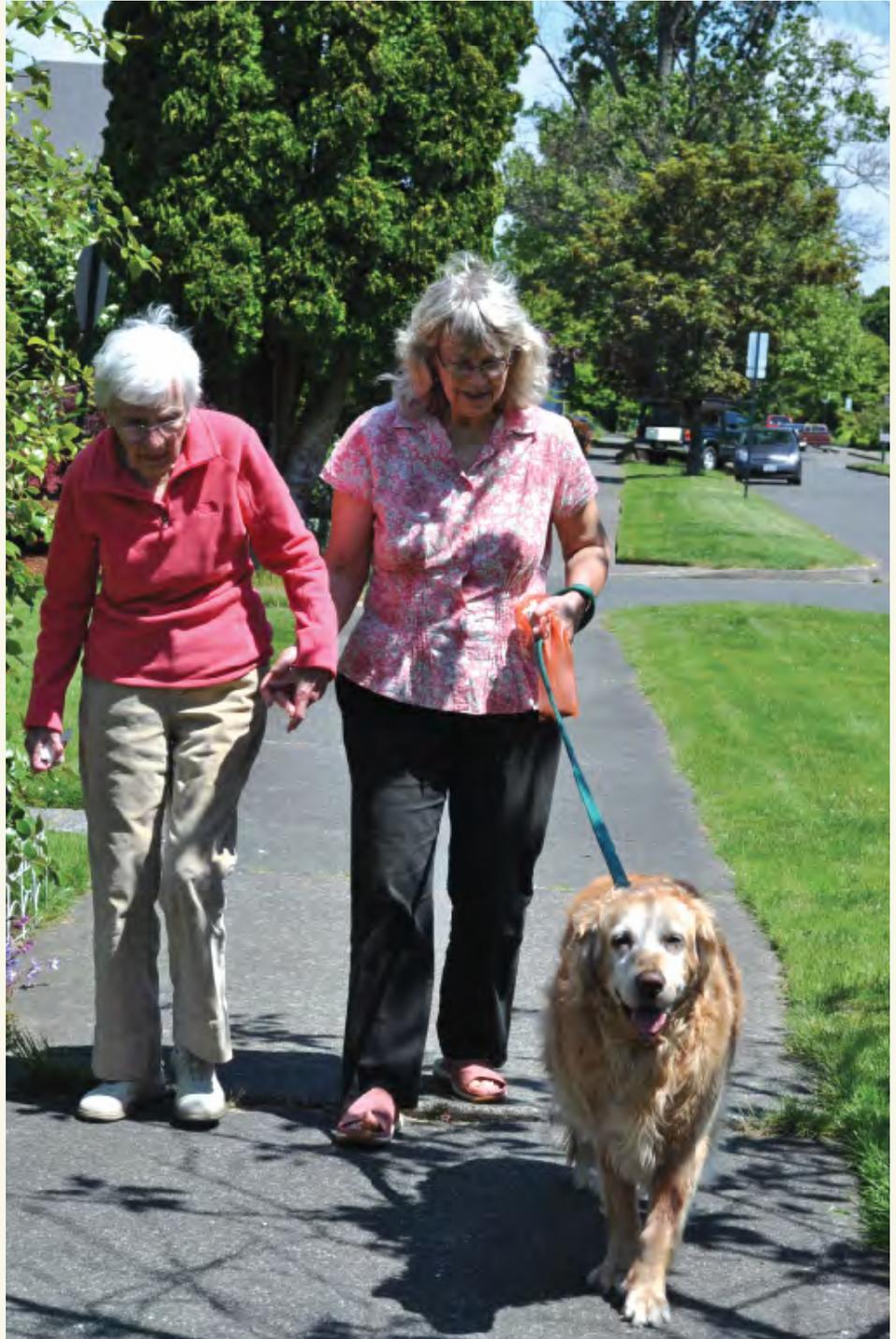
A new homecare cooperative is being formed to bring client-centered care to the coastal town of Port Townsend, Wash. A small, close-knit, maritime community on the northeast tip of the Olympic Peninsula, Port Townsend has a population of just under 10,000 and is truly a place where “everyone knows your name.”

A sense of community runs strong here, and that commitment to community is especially felt for the elders. When local caregivers, dissatisfied with current homecare options, met to discuss alternatives, central to their concern was the ability to create locally owned, quality home-care services.

Co-op steering committee member Kippi Waters considers forming a homecare co-op essential for meeting the needs of the aging population of Port Townsend. “The aging baby-boomer wave sweeping America is practically a tsunami here in Port Townsend, where we have the oldest median age in the state of Washington,” Waters says. “I believe that client-based, community-centered homecare is only possible with the cooperative model. The care of our elders belongs in the hands of our community. Only then can we see the paradigm shift that is much needed in the caregiving industry.”

Need for rural elder care

Between 2010 and 2030, the number of older Americans is predicted to double, to 72.1 million. For the first



Kate Nichols, a caregiver/member-owner of the Circle of Life Caregiver Cooperative, helps client Bess Christman get some exercise, ably assisted by golden retriever Amber. Photo by Kathleen English, courtesy Circle of Life.

time in history, people over 65 will outnumber children under 5. And, because of medical advances and the increases in life expectancy, people 90 and over now comprise 4.7 percent of the older population (age 65 and older) compared with only 2.8 percent in 1980!

Some are calling this wave of aging Americans the “Silver Tsunami” and it is rapidly headed our way. With professional caregivers already in short supply, this leaves many wondering, “How will we care for these people?”

This care crisis is even more pressing in rural communities. Of all groups, America’s rural elders may be the most adversely affected by the challenges of growing old. As people age, they typically require more health care services.

“I believe that client-based, community-centered homecare is only possible with the co-op model. The care of our elders belongs in the hands of our community.”

At the same time, however, they often become less mobile due to physical disability or chronic illness.

This creates challenges for rural elders whose younger family members have left the community, and the nearest neighbor can be miles away.

As a result, older people frequently are forced to move prematurely to assisted living or nursing facilities because they are unable to meet their own day-to-day needs. This shift to institutionalization is costly, and much of the cost burden falls to government programs such as Medicare and Medicaid.

Keeping seniors in homes, longer

Assistance from trained, professional in-home caregivers offers a solution to this dilemma. Homecare, which is personalized to the individual, can be a much more affordable way to care for rural elders.

By encouraging independence and self-directed care, homecare keeps elders in charge of their own lives for as long as possible. It is with this goal in mind that Port Townsend caregivers came together to consider starting a homecare co-op.

Inspiration and encouragement for forming a co-op came from another nearby homecare co-op: Circle of Life Caregiver Cooperative (<http://www.circleoflife.coop/>).

Proven model

Just a short ferry ride and a two-hour

drive north of Port Townsend lies the city of Bellingham, Wash., home to Circle of Life (COL), a seven-year-old homecare cooperative. Started in 2009 with just a handful of caregivers, COL now boasts annual revenue of more than a \$1 million and employs more than 50 caregivers who benefit from the highest pay rate for in-home caregiving in the county.

With job satisfaction high among workers and a steady supply of clients, COL is in a great position to help out the Port Townsend caregivers. In the spirit of cooperation, COL has been a great resource to the Port Townsend group, sharing documents, answering questions and just being a model for what is possible.

“Of course we support the new co-op emerging in Port Townsend and want to help them anyway we can,” says board Chair Alice Robb, who joined the co-op in 2008. That’s the meaning behind the 6th Cooperative Principle: Cooperation Among Co-ops.”

As the Port Townsend caregivers continue to meet and take all the necessary and legal steps toward establishing a homecare co-op, they are amazed and grateful for the support from the Northwest Cooperative Development Center, COL and their community at large. Their vision of a world where elders thrive in their homes and in the community is quickly becoming a reality in Port Townsend.

Old Problems, New Solutions

RMFU teams with La Montañita to offer expanded technical services to co-ops

By Robin Seydel and Dan Hobbs

Editor’s note: Seydel is a senior staff member with La Montañita Cooperative; Hobbs is senior cooperative developer for the RMFU Cooperative Development Center.

Rocky Mountain Farmers Union Cooperative Development Center (RMFU) and La Montañita Cooperative of New Mexico have developed a strategic partnership to better assist food and farm cooperatives

in New Mexico, Colorado and Wyoming. The result is the establishment of the Southwest Development Services Co-op (SDS), which is being incubated at La Montañita’s headquarters in Albuquerque.

Over the years, RMFU and La Montañita have assisted hundreds of existing and emerging cooperatives, both regionally and nationally. Unfortunately, they have also seen the demise of too many of these co-ops. Starting and sustaining cooperative businesses requires a wide range of skills, resources and commitment.

It can be challenging to assemble all of the necessary pieces for business success. For example, the vast majority of farmer and food cooperatives started during the last two decades or so in our region have struggled with setting up and maintaining basic operational systems.



This organic seed display advertises that it is produced by a farmer-owned co-op, something that resonates with many consumers.

Professional services co-op needed

RMFU and La Montañita staff were holding a joint meeting, reviewing common cooperative operational challenges and ways to more effectively help co-ops, when Robyn Seydel, a senior La Montañita staff member, suggested the need for a second-tier cooperative — a professional services cooperative.

As a result, the Southwest Development Services Cooperative was created as a new strategy to assist local

cooperatives, especially during their vulnerable start-up years. Formation of SDS is in keeping with Co-op Principle 6: Cooperation among Cooperatives, and Principle 7: Concern for Community.

SDS is currently operating as a program of La Montañita Co-op, with its actual incorporation as a co-op expected to happen in 2016 or 2017. Two USDA Small, Socially-Disadvantaged Producer Grants and a grant from New Mexico's McCune Foundation are providing the initial funding to launch the program.

Starting and operating successful farm and food cooperatives takes specialized knowledge of the industry, markets and finances. With its management team's thousands of hours of experience, La Montañita brings extensive expertise to the SDS, both as consultants and in training, coaching and mentoring area food and cooperative businesses.

With strong recent growth in the region's local foods movement, the operational expertise developed by La Montañita over the past 40 years is in great demand.

Some of the groups SDS has assisted during its first year include: The Sweet Grass Beef Co-op, Family Farmers' Seed Co-op and Arkansas Valley Organic Growers, as well as food co-ops in the New Mexico towns of Espanola, Dixon and Taos, and the Colorado towns of Trinidad, Alamosa and Manitou Springs. SDS has also helped a number of emerging food hubs in the region.

Menu of services for business growth

SDS services include: organizational structure development, business planning, cooperative model development, director training, membership structure and program development, human resource services, branding strategy and media planning and contracting. Other services include: community outreach planning and

project development, website development, fundraising and capital campaign strategy, accounting/account management and financial systems and operational assessments. Still other service include: facilities management, food safety, security/loss prevention, IT systems, procurement and contracting.

Going forward, as RMFU and La Montañita continue to engage food and agriculture groups, they will be referring many of them to the Southwest Development Services Cooperative for potential membership and targeted technical services. The

The vast majority of farmer and food co-ops started during the last two decades in our region have struggled with setting up and maintaining basic operational systems

primary benefit of membership in the new cooperative will be discounted professional services.

RMFU's Cooperative Development Center, www.rmfu.org/co-op, was founded in 1996, and has since that time served well over 150 cooperatives, small businesses and other organizations. The Center's mission is to build a more just, healthy, thriving and inclusive economy through cooperative enterprises in Colorado, New Mexico and Wyoming.

La Montañita, www.lamontanita.coop, is a community-owned consumer cooperative which opened its first store in 1976, at that time serving 300 families in Albuquerque. Since then, La Montañita has grown to 17,000 members who own six stores throughout New Mexico. La Montañita helps local producers access more markets. More than 1,100 local products from 400 local producers make it to small community grocers, restaurants and commercial kitchens through its co-op's Co-op Distribution Center.

Newsline

Co-op developments, coast to coast

Send co-op news items to: dan.campbell@wdc.USDA.gov

CHS investing in CF nitrogen; cancels plans for N.D. plant

CHS Inc. is investing \$2.8 billion in nitrogen fertilizer manufacturing through CF Industries Nitrogen LLC. The co-op calls this “a historic step” that links CHS Inc.’s member cooperatives and farmer-owners to “a long-term, assured fertilizer supply.” The new strategy means CHS is canceling plans for a proposed \$3 billion fertilizer plant at Spiritwood, N.D.

In related news, CF Industries (CF) has announced that it has agreed to buy the fertilizer production assets of Dutch firm OCI NV. That deal makes CF the world’s largest publicly traded maker of nitrogen fertilizer, according to press reports.

“This investment links CHS’ strength as the nation’s largest fertilizer wholesaler with CF Nitrogen’s manufacturing platform, creating supply sourcing efficiency and economics for our owners,” says Carl Casale, CHS president and CEO. “In short, through CF Nitrogen, CHS will be able to add direct value and provide sustained access to dependable, patronage-eligible fertilizer products comparable to our successful 70-year-old petroleum refining platform.”

Given the dynamic market for nitrogen fertilizer manufacturing and distribution, investing in CF Nitrogen creates access to more immediate benefits for CHS owners and customers than would a plant that would require about four years to build, Casale said. “Ultimately, we determined that the construction cost, water supply challenges, overall risk profile and time required for the Spiritwood project had changed significantly since it was first



To secure a dependable source of nitrogen fertilizer for its members, CHS Inc. has made a major investment in CF Industries. Seen here is CF’s facility in Donaldsonville, La. Photo courtesy CF Industries

considered. As a result, we concluded we couldn’t achieve the level of returns needed to justify the increased costs and risks.”

Casale continued, “We deeply appreciate the tremendous support and assistance from the Jamestown and Spiritwood communities, North Dakota’s governor, elected officials and state agencies and organizations like the North Dakota Farmers Union; and other government leaders who have supported us through our due diligence process.”

The value of the CF/OCI NV deal is about \$8 billion, based on CF’s current share price, including the assumption of about \$2 billion in net debt. The boards of both companies unanimously approved the deal.

The transaction includes OCI’s nitrogen production facilities in Geleen, Netherlands, and Wever, Iowa, as well as the company’s interest in an ammonia and methanol complex in Beaumont, Texas. Also included is its

global distribution business, based in Dubai, United Arab Emirates.

The combined entity will also purchase a 45-percent interest, plus an option to acquire the remaining interest, in OCI’s Natgasoline project in Texas. Upon completion in 2017, it will be one of the world’s largest methanol facilities.

Founded in 1946 as a fertilizer brokerage operation by a group of regional agricultural cooperatives, CF Industries grew by expanding its distribution capabilities and diversifying into fertilizer manufacturing. Through 2002, the company operated as a traditional supply cooperative. However, in 2003, in response to changing market conditions, it converted to a publicly traded company, with an initial stock sale in 2005.

MFA Oil assumes control of joint venture

MFA Oil Co. has purchased Big O Tires’ interest in their joint venture —

Bore/MPC LLC. MFA Oil Co. is a farmer-owned cooperative, based in Columbia, Mo., with more than 40,000 farmer-owners. Big O Tires LLC is a division of TBC Corp.

“This is a good deal for MFA Oil Co.,” says Rusty Coats, director of retail tire operations. “Not only was the cost of the buyout favorable, but the single company ownership will allow us to be quicker and more flexible in our business decisions.”

Formed in 1998, Bore/MPC is a Big O Tires franchisee that owns and operates 14 Big O Tires stores in Missouri and Arkansas, with two new stores (one in each state) slated to open this year.

The company will retain the Bore/MPC name, but will now be a wholly owned subsidiary of MFA Oil Co. All the stores will remain as Big O franchise stores, with Bore/MPC being the franchisee. Consumers will see no changes, as the joint venture was treated like all other franchisees, according to Coats.

“As Big O Tires continues to look for opportunities to expand, this purchase will make that process, and others, more efficient,” says Mark Fenner, MFA Oil president and CEO.

N.D. co-op buys feed business

Scranton Equity Exchange, of Scranton, N.D., has purchased Woody’s Feed & Grain of Dickinson, N.D. Scranton Equity is an agriculture cooperative established in 1914 that offers a full line of agricultural services. In the feed business for more than 100 years, the co-op operates one of the region’s biggest feed mills and markets in four states.

Woody’s Feed & Grain, in operation for 46 years, produces and ships feed nationwide. It specializes in high-performance horse feed, cattle feed and other livestock feeds. Its production facility is highly automated and has rail access.

The consolidation of the two companies will have many production and marketing synergies, the co-op says. The merger will allow Scranton

Equity to expand its local livestock feed market and to move its horse feed production to Dickinson, from where it will continue to market horse feed nationwide.

GROWMARK reports \$8.8 billion in sales

GROWMARK had estimated sales of \$8.8 billion in 2015, with pretax income of \$140 million. An estimated \$61 million in patronage refunds will be returned to GROWMARK member cooperatives and farmer-owners.

“We remain committed to



foundational principles that honor the wisdom and direction of our founders,” CEO Jim Spradlin said during his remarks at the co-op’s annual meeting. The co-op’s energy, agronomy and retail grain units all achieved business growth and recorded earnings above expectations. The retail supplies group performance was slowed due to a softening ag economy and widespread weather-related challenges during the summer.

The co-op’s energy division reported 2.2 billion gallons sold. Boosted by the Council Bluffs lubricants blending facility, income generated by lubricant operations doubled, with a record six million gallons of lubricants sold,

generating gross income of \$70 million.

The seed division reported sales exceeding 4.7 million acres. Net income will exceed budget and rank as the second-best earnings on record. Crop protection division sales are projected to increase 1 percent from the previous year, making 2015 the second-best volume year for the co-op. The plant food division, now known as the crop nutrients division, saw sales volume exceed 3.2 million tons, the fifth consecutive year of record volume.

The grain division announced a new retail grain partnership being formed in Northern Illinois. FS Grain will combine the strength of Northern Grain Marketing and Eastern Grain Marketing with the local expertise, management and ownership of AgView FS, Carroll Service Company, Conserv FS, GRAINCO FS and Heritage FS. The new venture will support the overall grain division operations, which generated \$19 million in income in fiscal 2015.

NCFC joins Field to Market

The National Council of Farmer Cooperatives (NCFC) is joining Field to Market: The Alliance for Sustainable Agriculture, a multi-stakeholder initiative working to unite the agricultural supply chain in defining, measuring and advancing the sustainability of food, fiber and fuel production.

“Sustainability is an emerging priority for farmer cooperatives as we work to demonstrate how the U.S. agriculture industry is improving against key environmental goals and accelerate the pace of progress,” says Charles Conner, president and CEO of NCFC. “By joining Field to Market, we aim to provide tangible solutions to help co-ops respond to consumer and supply chain demands in areas such as sustainability, social responsibility and transparency.”

Working together with grower organizations, academia, conservation groups, public sector partners and leading companies, NCFC will help to catalyze opportunities for continuous

improvement in productivity, environmental quality and human well-being across the agricultural value chain.

“Farmer cooperatives play a vital role in the food and agriculture sector and are a critical partner in advancing sustainability at the landscape level,” says Rod Snyder, president of Field to Market. “We are pleased to welcome NCFC to Field to Market and look forward to developing strategies for how co-ops can partner with the agricultural supply chain to help farmers improve their productivity, profitability and environmental outcomes.”

NCFC is a national association representing America’s farmer cooperatives, whose members include a majority of our nation’s more than 2 million farmers, ranchers and growers.

Idaho ag co-ops merging

Two Idaho agricultural cooperatives — Valley Wide Cooperative and Valley Co-ops Inc. — have agreed to merge after receiving “overwhelming support through the voting process from both sets of board members and the membership of the cooperatives,” according to a joint announcement. Co-op leaders say the merged co-op will increase buying power and help expand product and service offerings.

“We are encouraged by the support both memberships have conveyed and will now concentrate on meeting the expectations of our patrons and will communicate our progress as we move along,” says Dave Holtom, CEO of Valley Wide Cooperative. Both co-ops have retail, energy (propane and bulk fuel) and agronomy divisions.

The new co-op will be based in Jerome and operate under the Valley Wide Cooperative name. The combined business will have about 700 employees serving more than 3,000 members through 43 locations. Each company is firmly rooted in Idaho (both were started in the 1930s). The merger was to take effect Sept. 1.

Valley Co-ops serves agricultural

Conference topics range from fertilizer to broadband

18TH ANNUAL FARMER COOPERATIVES CONFERENCE

The 18th Annual Farmer Cooperatives Conference, Nov. 5-6 in Minneapolis, will provide a unique opportunity to hear cooperative leaders assess their business environment and discuss major issues affecting farmer-owned cooperatives. Topics will include:

- **Fertilizer Markets and the Changing Supply Chain** — An update on fertilizer markets and the most significant drivers of change in the supply chain.
- **Rural Broadband: Challenges and Opportunities** — Modern agriculture demands modern digital connections. What’s on the horizon for high-speed Internet access?
- **Sustainability in the Value Chain** — How can companies embed sustainability into the supply chain while creating value for members and customers?
- **Recent Trends in Cooperative Restructuring, Mergers and Acquisitions** — Practical advice on successful strategies from experienced advisors in agribusiness restructuring.
- **Big Data: Data Warehousing, Standard Setting and Legal Issues** — What are the emerging issues for agriculture in this fast-growing field?
- **Investing in Rural Infrastructure** — Strong rural economies require strategic investments in infrastructure.

Among the speakers are: Shirley Bloomfield, CEO, National Telephone Cooperative Association; Piet Boer, board chair, FrieslandCampina; Neil Fleishman, senior industry analyst, Green Markets; Adam Holton, senior vice president, CHS Inc.; and Mary McBride, president, CoBank. For more details, visit: <http://bit.do/FCC2015> or www.uwcc.wisc.edu.

producers, commercial businesses and families in Southern Idaho. Formed through the merger of Idaho Grange Co-op and Wendell Grange Supply in 1991, both cooperatives had served customers since the 1930s. Valley Co-ops serves patrons in the Magic Valley from nine locations with a team of 200 employees.

“Valley Wide Cooperative has experienced growth and success through several mergers over the past 15 years and operates by the cooperative principle that more can be accomplished working together than as individuals,” Holtom says. Valley Wide serves patrons from western Wyoming to eastern Oregon through 34 locations with a staff of more than 350.

According to a report in the *Capital Press*, the new cooperative intends to expand some operations in Idaho’s Magic Valley and Treasure Valley. The

cooperatives have partnered in the past on agronomics, including farm chemical and fertilizer sales.

United Suppliers merges with Land O’Lakes

United Suppliers Inc., Ames, Iowa, is merging with the crop inputs business of Land O’Lakes Inc., Arden Hills, Minn. The merger will build on the recent successes of the two companies and aims to create a single, relevant and competitive system of independent agricultural retailers.

“This merger will allow us to continue to meet our customers’ needs through each company’s successful go-to-market strategy while providing for the size and scale to compete in an environment of consolidating suppliers and competitors,” says Chris Policinski, president and CEO of Land O’Lakes Inc.

The first step of the merger will be to combine the two companies' seed and crop protection businesses under Winfield US LLC; a second step will merge the crop nutrient business.

Customers are expected to benefit from expanded product offerings, enhanced precision agriculture services, tools and technologies, improved product insights, consulting services and more.

In 2014, WinField had \$4.9 billion in seed and crop protection product sales while United Suppliers had \$2.6 billion in crop protection, seed and crop nutrient sales. The merger is expected to be completed in October.

USDA invests \$18 million to boost rural business

Agriculture Secretary Tom Vilsack has announced loans and grants for 92 projects worth \$18.1 million to help support the start-up or expansion of rural small businesses. These funds are part of more than 20,000 grants and loans to more than 85,000 rural businesses USDA's Rural Business-Cooperative Service has awarded since the start of the Obama administration.

"These funds will allow small and emerging businesses and the organizations that support them to get the financing they need to strengthen their operations, create jobs and expand economic opportunities," Secretary Vilsack said.

USDA is awarding the funds through the Rural Economic Development Loan and Grant (REDLG) program, the Intermediary Relending Program (IRP) and the Rural Business Development Grant (RBDG) program. USDA provides grants or zero-interest loans through the REDLG program to rural utilities (most of which are co-ops) which, in turn, fund projects to create and retain employment in rural areas. Vilsack announced \$11.7 million in REDLG loans and grants for 18 recipients.

One of the organizations receiving funds under the REDLG program is the South Mississippi Electric Power Association, which has been selected for a \$2 million loan. It will lend part of

that to the city of Greenwood, which will buy and renovate a building for the Milwaukee Tools company. This project is expected to create more than 100 jobs in Lenore County.

Lenore is one of many counties across the nation USDA has targeted for special assistance through the StrikeForce Initiative for Rural Growth and Opportunity. USDA launched StrikeForce in 2010 to increase investments in rural communities through intensive outreach and stronger partnerships with community leaders, businesses, foundations and other groups that are working to combat poverty.

Pendleton Grain to market through McCoy Grain

Pendleton Grain Growers (PGG), a member-owned agricultural marketing and supply cooperative serving the farming communities of Eastern Oregon and Eastern Washington, has announced a marketing agreement with McCoy Grain Terminal LLC (MGT) to market 100 percent of PGG's grain. "We want to encourage our membership to start capitalizing on the resources now available to them through this agreement," says Rick Jacobson, general manager of PGG. "This is a great way for our growers to receive the most competitive bid while reducing exposure to risk and fees."

As a result of this agreement, PGG members will benefit from:

- Improved market access and merchandising expertise;
- Access to MGT's 50-60 million bushel marketing alliance;
- More competitive bids, efficiencies and reduced fees.

MGT is a partnership of the Pacific Northwest Farmers' Cooperative (PNW), Cooperative Agricultural Producers Inc., (CoAg) and Mid-Columbia Producers. With the addition of PGG, MGT will market grain from more than 70 country storage elevators, including 11 with rail-loading capabilities, eight with river terminals (three on the Snake River; five on the Columbia River), and a shuttle loading

facility with capacity for 110 cars. PGG will continue offering all marketing services at its grower trading desk at the Pendleton facility.

Shipwrights' co-op buys Townsend Bay Marine

The purchase of Townsend Bay Marine by the Port Townsend (Washington) Shipwrights Co-op is expected to have long-term benefits for maritime industries. "This sale celebrates a new generation of the marine trades," Deputy Port Director Jim Pivarnik says of the transaction,



Co-op members swing into action on a repair job. Photo courtesy Port Townsend Shipwrights Co-op

according to a report in the *Peninsula Daily News*. "As environmental regulations become stricter, indoor repair will become a requirement at some point, and the active use of this space guarantees this ability."

"We have been around for 35 years, and we will now be around for another 35 years," says Chris Chase, one of the 13 members of the co-op, a coalition of boat builders that was founded in the early 1980s. "This deal lets us grow and change, and be ready for the environmental regulations that will be put into effect in the next few years."

The amount paid by the co-op has not been disclosed. The previous 17-year lease with the port was cancelled and replaced by a new 35-year lease.

The longer lease was necessary to amortize the loan. Port commissioners unanimously approved the terms of the new lease at a special meeting. “Everyone comes out as a winner,” says Port Attorney Pat O’Malley. For more details, visit: <http://www.peninsula.dailynews.com/>.

USDA’s Bruce Reynolds recognized as ‘catalyst for co-op change’

A call to action in 2007 inspired this year’s John Logue Award winner from the Association of Cooperative Educators (ACE). Bruce Reynolds of USDA talked with John Logue, the Kent State University professor who founded the Ohio Employee Ownership Center, about whether USDA loan programs could be important tools for financing ownership conversions. Since then, Reynolds has worked to support regulation changes

deserving of the ACE honor in many other ways, they add.

The award recognizes an individual or organization whose educational programs, technical assistance or research acts as a catalyst for change by creating innovative cooperatives that promote a democratic work environment and economic sustainability for people and communities. Reynolds, whose career working with co-ops has spanned close to four decades, has been instrumental in the reorganization or creation of a number of cooperatives and has written about the process to assist others leading similar changes.

His articles also form the basis of a popular guideline for cooperative governance. Reynolds’ recent writings have included pieces that focused on the role of cooperatives in promoting community development and the different approaches co-ops pursue in

developers of cooperative organizations to share information.

Other award winners included:

- Outstanding Contribution to Cooperative Education and Training: Darryl Reed, York University;
- William Hlushko Award for Young Cooperative Educators (two winners): Emily Lippold Cheney, USA Cooperative Youth Council, and Toolbox for Education and Social Action;
- Reginald J. Cressman ACE Award: Dennis Bolling, United Producers Inc.
- Outstanding Contribution to ACE by an Organization: UMASS Cooperative Enterprise Collaborative.

Institute participants also toured the Connecticut River Valley, which is a leader in sustainable and worker cooperative development. ACE members are primarily from the United States, Canada and Puerto Rico. More information is at: www.ace.coop.



Association of Cooperative Educators (ACE) award winners for 2015 are (from left): Adam Trott, Emily Lippold Cheney (kneeling), Brian Van Slyke (kneeling), Erbin Crowell, David Morgan, Bruce Reynolds, Darryl Reed, Dennis Bolling and Andrew Stachiw. Photo courtesy ACE

so that USDA’s Business & Industry (B&I) loan guarantee program could be used for transferring rural businesses from retiring owners to workers.

The process is ongoing, say Reynolds’ nominators, but, “ultimately, Dr. John Logue’s call and Bruce Reynolds’ nine-year persistence may have an important impact on conversions to employee ownership in the United States.” Reynolds is

obtaining the consensus needed to run a cooperative.

Reynolds and five other award recipients were celebrated at the annual ACE Awards Banquet in July at the University of Massachusetts in Amherst. The ceremony was part of ACE Institute, July 12-15, that brought together researchers, trainers, educators, students, communicators, elected leaders and economic

UN hails co-ops as vehicle for sustainable development

Cooperatives will play an “invaluable role” in the international community’s roll-out of sustainable development goals, United Nations Secretary-General Ban Ki-moon said July 4 in observation of International Day of Cooperatives. He appealed for all nations to recommit to the co-op business model, saying it can help make the vision of a sustainable future a reality for everyone.

“Inequality is a fundamental obstacle to development, depriving people of basic services and opportunities to build better lives for themselves and their children,” the Secretary-General declared. “The cooperative model helps meet this challenge. Cooperatives strive to uphold the principles of equality and democratic participation,” says Ban.

Ranging from micro co-ops to multi-million-dollar businesses across the globe, cooperatives operate in all sectors of the economy and provide 100 million jobs worldwide — 20 percent more than multinational enterprises, according to 2011 figures from the UN Food and Agriculture Organization

(FAO), the UN International Fund for Agriculture Development (IFAD) and the UN World Food Programme (WFP). In 2008 alone, in the midst of the global financial crisis, the largest 300 cooperatives in the world had an aggregate turnover of \$1.1 trillion, comparable to the gross domestic product (GDP) of many large economies.

In his message, the Secretary-General pointed to a wealth of research showing how cooperatives have helped lower the wage difference between men and women and promote greater equality in the work place and training opportunities.

Frontier Co-op adding fertilizer plant

Frontier Cooperative Co., Brainard, Neb., is adding a 53,000-square-foot dry fertilizer plant to its facility in Schuyler. The project is part of a five-year expansion plan, according to a report in the *Columbus Telegram*.

The 100-year-old co-op says the building, now under construction, will hold about 22,000 tons of fertilizer. It is located near the co-op's elevator and a smaller fertilizer plant in Schuyler. The fertilizer plant is expected to be in operation by about September 2016, according to Jon Brabec, co-op senior vice president of marketing and sales. Brabec told the *Telegram* that the dry fertilizer plant — Frontier's largest — will ensure the cooperative has enough fertilizer to serve its customers. The site was selected because of its access to the railroad and its central location. Brabec declined to put a dollar figure on the investment. Frontier, which merged with Husker Co-op in January 2014, has 23 locations in eastern Nebraska.

Southern States to open N.C. superstore

Southern States continues its expansion into the Charlotte, N.C., area with a new farm supply superstore slated to open in Mooresville at the end of October. The new location is one of

the company's largest, with two leased units totaling 27,000 square feet.

The store will have a 12,000-square-foot showroom that will feature a variety of farm and home supplies, including animal feed and residential fertilizer. A 5,000-square-foot outside display will showcase farm-related items, such as fencing and bunk feeders. The "ag room" will house products such as livestock handling equipment.

The store opening will create 22 new jobs. Southern States operates more than 1,200 retail outlets across 23 states.

Robert Lacey to lead PYCO

PYCO Industries Inc., a federated co-op owned by cotton gins, has named Robert Lacy as its new president and CEO, effective Oct 1. Lacy succeeds Gail King, who will retire Sept. 30, ending a career of more than five decades at the cotton oil mill.

PYCO (formerly Plains Cooperative Oil Mill) is a cottonseed processing facility located in Lubbock, Texas, since 1936.

Lacy has served as senior vice president of PYCO since 2002, and vice president of marketing since 1996. A graduate of Eastern New Mexico University, Lacy began his career with Paymaster Oil Mill Co. in 1984 and joined Plains Cooperative Oil Mill in 1990. He also serves on the board of the National Cotton Council, Texas Agricultural Cooperative Council and Triangle Cooperative Service Co.

Skyland Grain making \$18 million in upgrades, expansions

Skyland Grain will be adding more than \$18 million in new facilities and equipment to its south-central and western Kansas locations. Skyland is a regional joint venture between Cairo Cooperative Equity Exchange, Johnson Cooperative Grain Co., Syracuse Cooperative Exchange and ADM Grain Co.

New facilities in the eastern division include two 500,000-bushel grain bunkers at Cunningham and Calista

locations. The new bunkers will be ready for the 2015 harvest. A new chemical warehouse and a 7,500-ton liquid fertilizer storage facility also will be located in Cunningham and operational by spring 2016.

Other upgrades include three new scale-houses located in the Cairo area, high-speed legs at all new sites and a new dry-air flow spreader at the Penalosa location. In 2016, there will be new grain bins at Cunningham (750,000 bushels), Calista (1.2 million bushels) and south of Cairo (500,000 bushels).

In the western division, which serves southwest Kansas and eastern Colorado, Skyland Grain installed three new bunker locations..

Co-op Council, UNL create new professorship

The University of Nebraska-Lincoln Department of Agricultural Economics and the Nebraska Cooperative Council have signed an agreement to create a new professor of agricultural and rural cooperatives. The tenure-track position will be jointly funded for the first six years by the council and the Institute of Agriculture and Natural Resources.

The new faculty member will develop and conduct training for cooperative members and leaders. Research on issues relevant to cooperatives and undergraduate teaching will also be part of the new role. The Nebraska Cooperative Council is the state's major trade association representing agricultural cooperatives. The council and the University of Nebraska have partnered, both formally and informally, on educational programs since the council's inception in 1945.

California Dairies expands product line

Building upon its successful dairy ingredients business, California Dairies, Inc. (CDI) has diversified its powdered milk offerings to include high protein powders — milk protein concentrates (MPC) and milk protein isolates (MPI).

The addition of these new products demonstrates CDI's vision to become the leading source of dairy nutrition for a healthy world.

MPC and MPI are high-value milk powders used in high protein drinks and bars as well as infant products, yogurts and cheeses. The production of

MPC and MPI is a natural extension of CDI's powdered milk portfolio and meets the needs of its customers for highly functional milk powders.

"The driving force of CDI's strategic plan is to profitably market member-owners' milk through product innovation and an expanding product

portfolio. The inclusion of high protein milk powders to our portfolio is yet another example of how CDI executes its strategy and creates value for its member-owners," said Andrei Mikhalevsky, CDI CEO. ■

Commentary

continued from page 2

(CCOC), an event that was attended this year by more than 150 individuals from 25 states and Puerto Rico. CCOC attendees learned how cooperative businesses are adapting to changing environments and heard from

cooperative experts from across the nation on why member-owned businesses are thriving in industries ranging from senior housing to healthcare.

To bring cooperative education to life, students toured housing, retail and marketing cooperatives in Minneapolis and St. Paul. They also visited the headquarters of CHS Inc., the nation's largest agricultural cooperative, and heard from cooperative leaders, farmers

and government experts.

Since the founding of Farmers Union 113 years ago, agriculture has become more, not less, concentrated and farmers still find themselves as price takers, not price makers. For this reason, cooperatives remain as important today as they were at our founding, and have not only built the foundation of our national organization to fight for family farmers, but also continue to serve as its North Star. ■

S.D. Farmers Union marks 100

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purchases 100 percent of his inputs from Farmers Alliance of Mitchell.

"The cooperative business structure provides us with a voice on not only the goods and services we receive, but also in the cooperative's governance," Kayser says.

He is not alone in his thinking. More than 80,000 South Dakotans are cooperative members. Whether they belong to an agricultural, electric, banking or telecommunications cooperative, they are members of a cooperative, so their voice is heard, explains Lucas Lentsch, South Dakota's secretary of agriculture.

"It's about having a local voice that is reflective of the needs of friends and neighbors," Lentsch says. "Cooperatives unite those with common interests and provide them with access to products or services they need." In many South

Dakota communities, the solutions provided by cooperatives continue to drive economic prosperity, he adds.

In response to fewer farms and people in some areas of the state, many cooperatives have adapted their business practices and consolidated, says Jeff Nelson, retired general manager of East River Electric Power Cooperative. "By joining together, cooperatives are better able to overcome the costs of serving rural areas."

Value in supply-chain ownership

"Ownership of the supply chain brings value," says Randy Knecht, a Houghton, S.D., farmer. His cooperative, Full Circle Ag, is one of many local cooperatives which are members of CHS Inc., a national co-op, or other regional federated co-ops. "CHS is a great logistics company," he says. "It provides our local cooperative with ag inputs and fuel in a timely fashion and connects our commodities to the global marketplace."

"We have to remain competitive in

the marketplace to return value to our customers," says Jeff Dragseth, general manager of CBH Cooperative.

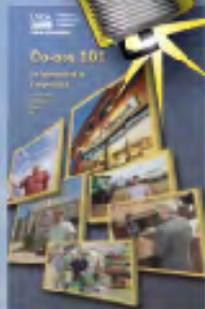
Dragseth recalls a recent conversation with a member who runs a large farming operation who told him that patronage was not that important to him. "What matters (most) is that he can depend upon his cooperative to invest in the assets he needs...when he needs them, whether that is in people or equipment."

Ultimately, co-ops do much more than capture profits and deliver vital services to members. They help build stronger communities.

"The value captured from cooperatives isn't always monetary," says Kayser. "I look at our local cooperatives as providing employment, fire fighters, emergency responders and other services to rural South Dakota. Really, the cooperative is an extension of my community."

Those pioneers who founded SDFU 100 years ago would be proud to see that the co-op seeds they planted so long ago continue to flourish today. ■

Tune up your CO-OP



Co-ops 101: An Introduction to Cooperatives (CIR 55)

Probably the most-read co-op primer in the nation, this report provides a bird's-eye view of the cooperative way of organizing and operating a business. Now in an exciting new full-color format.



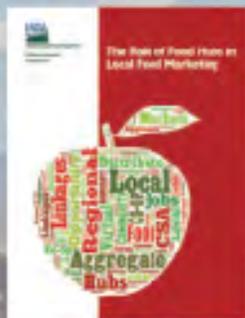
Co-op Essentials (CIR 11)

A companion volume to Co-ops 101, this is an educational guide for teaching basic information about cooperatives. It explains what cooperatives are—their business, principle, and structural characteristics, and the responsibilities and roles of cooperative members, directors, managers, and employees.



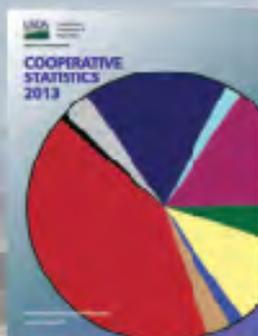
How to Start a Cooperative (CIR 7)

A long-time favorite, refreshed up with updated editorial content and a new design. This guide outlines the process of organizing a cooperative business, providing information on the potential steps involved and some important aspects of cooperative development.



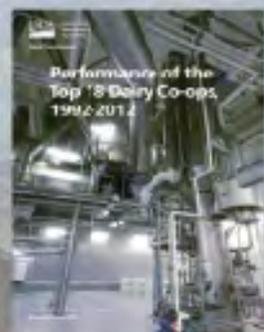
The Role of Food Hubs in Local Food Marketing (SR-73)

Consumers are willing to pay a premium for locally-produced foods. But producers are often handicapped by the lack of locally-based distribution systems. The food hub is one collaborative distribution system for local and regional food that shows great promise. This report presents an overview of the myriad issues facing food hubs across the United States.



Cooperative Statistics 2013 (SR 75)

A survey of 2,186 U.S. farmer, rancher, and fishery cooperatives ending their business year during calendar year 2013 showed a record business volume and net income before taxes. Get all the facts with this vital window on the agricultural cooperative economy.



Performance of the Top 15 Dairy Co-ops, 1992-2012 (RR 232)

The equity retained by dairy cooperatives represents a substantial sum of the members' money and compares with the capital needed for financing their farm operations. That's why good financial performance is vital to the well-being of a dairy co-op's members. Learn how well the largest U.S. dairy cooperatives are doing.

Is your cooperative delivering maximum performance for its members? To help ensure that it's "firing on all cylinders," request copies of any of the publications on these pages. Or download them from the Web. Either way, there is no cost.

For hard copies (please indicate title, publication number and quantity needed), e-mail: coopinfo@wdc.usda.gov, or call: (202) 720-7395. Or write: USDA Co-op Info., Stop 0705, 1400 Independence Ave., SW, Washington DC 20250. To download from the Web, visit: www.rurdev.usda.gov/rbs/newpub.htm.

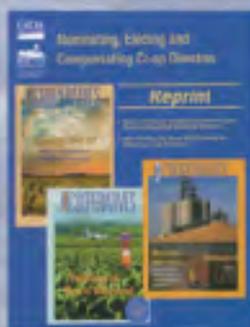
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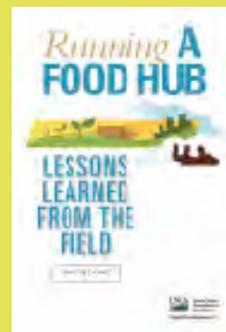
The Nature of the Cooperative (CIR 65)

These collected articles by USDA Rural Development agricultural economist Charles Ling were originally printed in *Rural Cooperatives* magazine to examine the nature of cooperatives and their place in our free-market economy. Now expanded to 10 articles from the original 5.



Nominating, Electing and Compensating Cooperative Directors (CIR 63)

This report examines the various methods co-ops use for nominating board candidates, voting policies of agricultural co-ops and compensation practices for co-op directors. It also includes a look at the types of leadership skills needed by co-op board members. This collection of articles originally appeared in USDA's *Rural Cooperatives* magazine.



Running a Food Hub: Lessons Learned From the Field, SR 77

This report is part of multi-volume, technical report series: Running a Food Hub. This first volume compiles a number of best business practices for starting or expanding a food hub enterprise. It includes operational profiles of the food hubs profiled in the report.



Member Satisfaction With Their Cooperatives (RR 229) (Web Only)

Dairy cooperatives have adopted a wide range of organizational structures. In some cases, this resulted in fairly bureaucratic, complex business organizations that require high levels of management expertise. This study looks at how such organization affects the satisfaction members have with their cooperatives.



Comparing Cooperative Principles of the U.S. Department of Agriculture and the International Cooperative Alliance (RR 231) (Web Only)

The cooperative principles of the U.S. Department of Agriculture and those of the International Cooperative Alliance (ICA) have evolved in slightly different directions since the Rochdale statement of 1860. This report compares the two sets of cooperative principles regarding how they distinguish that form of organization from other forms of business.



Running a Food Hub, Volume II: A Business Operations Guide, SR 78

The report's main focus is on the operational issues faced by food hubs, including choosing an organizational structure, choosing a location, deciding on infrastructure and equipment, logistics and transportation, human resources and risks. It explores the different decision points associated with the organizational steps for starting and implementing a food hub.

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